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November 17, 1998

**HAND-DELIVERED**

Michael E. Stogner, Hearing Examiner  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources  
2040 South Pacheco Street  
Santa Fe, New Mexico 87501

98 NOV 17 PM 3:38  
OIL CONSERVATION DIV.

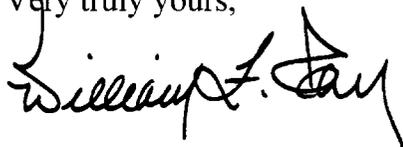
Re: ***Oil Conservation Division Case No. 12069:  
Application of Burlington Resources Oil & Gas Company to Increase the  
Vertical Limits, Provide Notice Requirements, Establish Administrative  
Procedures and Adopt a New Rule 2(c), Rule 3 and to Amend Rule 2(b) for  
the Special Rules and Regulations for the Blanco Mesaverde Pool, Rio  
Arriba and San Juan Counties, New Mexico***

Dear Mr. Stogner:

Pursuant to your request, enclosed for your consideration is Amoco Production Company's proposed Order pertaining to the October 29, 1998 Examiner hearing in the above-captioned case.

If you need anything further from Amoco Production Company to proceed with your consideration of this matter, please advise.

Very truly yours,



WILLIAM F. CARR  
ATTORNEY FOR AMOCO PRODUCTION COMPANY  
WFC:mlh  
Enclosure

cc: W. Thomas Kellahin, Esq. (w/enclosure)  
J.E. Gallegos, Esq. (w/enclosure)

STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION FOR THE PURPOSE OF  
CONSIDERING:

CASE NO. 12069

ORDER NO. R-\_\_\_\_\_

APPLICATION OF BURLINGTON RESOURCES  
OIL & GAS COMPANY TO INCREASE THE  
VERTICAL LIMITS, PROVIDE FOR NOTICE  
REQUIREMENTS, ESTABLISH ADMINISTRATIVE  
PROCEDURES, AMEND SPECIAL POOL RULE 2 (b)  
AND ADOPT NEW SPECIAL POOL RULES 2(c)  
AND 3 FOR THE BLANCO-MESAVERDE GAS POOL  
FOR PURPOSES OF INCREASING WELL  
DENSITY AND CHANGING WELL LOCATION  
REQUIREMENTS FOR MESAVERDE WELLS,  
RIO ARRIBA AND SAN JUAN COUNTIES, NEW MEXICO.

98 NOV 17 PM 3:38

OIL CONSERVATION DIV.

AMOCO PRODUCTION COMPANY'S  
PROPOSED ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on October 29, 1998, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this \_\_\_\_ day of November, 1998, the Division Director, having considered the testimony, the record, and the recommendation of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The Blanco-Mesaverde Gas Pool is currently governed by Special Pool Rules and Regulations which provide for a 320-acre standard gas proration units (GPU) with an initial well located not closer than 790 feet to any outer boundary of the quarter section on which the well is located and not closer than 130 feet to any quarter-quarter section line or subdivision inner boundary. An optional infill well may be drilled on the quarter section of the GPU not containing a Mesaverde well, and shall be located with respect to the GPU boundaries as allowed for the initial well on the GPU. (*See*, Rule 2; Order Nos. R-1670-T, R-1670-U and R-8170).

(3) The applicant, Burlington Resources Oil & Gas Company (“Burlington”), seeks an order which amends the Special Pool Rules and Regulations for the Blanco-Mesaverde Gas Pool:

- A. To allow an initial well and a maximum of three infill wells on each GPU;
- B. To require that the first infill well on a GPU be located in a quarter section of the GPU not containing a Mesaverde well, the second infill well on a GPU be located in a quarter-quarter section of the GPU not containing a Mesaverde well and within a quarter section of the GPU not containing more than one Mesaverde well, and the third infill well on a GPU be located in a quarter-quarter section of the GPU not containing a Mesaverde well and within a quarter section of the GPU not containing more than one Mesaverde well;
- C. To provide that wells drilled in this pool shall be located not closer than 660 feet to the outer of the GPU and not closer than 10 feet to any interior quarter of quarter-quarter section line or subdivision inner boundary;
- D. To provide that wells located within federal exploratory units shall not be closer than 10 feet to any section, quarter section or interior quarter-quarter section line or subdivision inner boundary except that wells located within one-half mile of the outer boundary of such unit shall be not closer than 660 feet to the outer boundary of the GPU;
- E. To establish Special Qualifying Areas in which special procedures must be followed before third or fourth wells may be drilled on a GPU including notice to adjacent operators, a 20-day objection period and, if objection, hearings; and

- F. To increase the vertical limit for this pool to include that interval from the top of the Huerfanito bentonite marker to 300 feet above this marker.

(4) Amoco Production Company ("Amoco"), Cinco Partnership, Turner Production Company, Schultz Management Co., and the Independent Petroleum Association of New Mexico ("collectively referred to as Cinco") appeared and presented evidence in this case.

(5) Since 1995, Burlington has conducted a technical study of the Mesaverde formation in the Blanco-Mesaverde Pool to determine if the pool is being adequately drained with two wells on each GPU. This study included the analysis of pressure data, core samples, well testing and a reservoir simulations of three limited pilot project areas.

#### **ADDITIONAL INFILL WELLS**

- (6) Burlington presented evidence obtained from its study which established:
- A. the Mesaverde formation in the Blanco-Mesaverde Gas Pool is a low permeability reservoir with localized areas with increased density of natural fracturing.
  - B. while the area drained by individual wells in the pool varies from 40 to 160 acres, most wells in the pool experience low annual pressure declines, produce at low rates, have marginal economics;
  - C. only 9% of the pool is being adequately drained with 2 wells on each GPU, and only 44% of the original gas in the reservoir (12.5 TCF) will be recovered under current rules; and
  - D. approval of this application to authorize additional infill wells on GPU's in the pool will result in an increase in ultimate recovery from the pool of between 5% to 10% or 1.5 to 3 trillion cubic feet of new gas reserves.

(7) Amoco and Cinco presented evidence in support of Burlington's proposal to permit three optional infill wells on each GPU in this pool.

FINDING: approval of a maximum of three infill wells on each GPU in the Blanco-

Mesaverde Gas Pool will result in the additional recovery of natural gas from this reservoir thereby preventing waste and should be **approved**.

### **SPECIAL QUALIFYING AREAS**

(8) Burlington proposed the creation of Special Qualifying Areas within this pool where optional second and third infill wells can be drilled on a standard spacing and proration unit only after notice to adjacent operators, a twenty-day objection period and, if an objection is received, a hearing to determine if the well will cause waste or impair correlative rights.

(9) In support of its proposed Special Qualifying Areas, Burlington presented evidence which showed there are areas within the reservoir where wells drain 160-acres or more and that in these areas the correlative rights of all interest owners are protected by the present rules which provide for only two wells on each GPU.

(10) Burlington provided a description of the proposed Special Qualifying Areas and presented its interpretation of the various drainage areas within the pool. This evidence showed that there are areas within the Special Qualifying Areas where wells drain less than 40-acres as well as areas where wells drain more than 160-acres. The evidence also showed there were numerous areas outside these Special Qualifying Areas where wells drain 160-acres or more.

(11) Amoco and Cinco opposed the Special Qualifying Areas and testified that these areas will create confusion, result in two sets of rules for the development of the pool, will be difficult to administer and are not supported by Burlington's own drainage area evidence.

**FINDING:** The boundaries of the proposed Special Qualifying Areas within the Blanco-Mesaverde Gas Pool are arbitrary, will create confusion, be difficult to administer, and should be **denied**.

### **TEMPORARY NOTICE PERIOD**

(12) Amoco proposes that the Special Pool Rules and Regulations for the Blanco-Mesaverde Gas Pool provide for notice to adjacent operators of second and third infill wells for a period of time not to exceed two years within which it can be determined if there are

additional correlative rights issues which the Division should address in these rules.

- (13) In support of this recommendation, Amoco testified that:
- A. the Division has previously allowed a second infill well to be drilled on standard spacing and proration units in the Blanco-Mesaverde Gas Pool;
  - B. the Mesaverde formation is a complex reservoir and applying the results of the reservoir simulation of three small areas within the reservoir to the entire pool may not assure that the correlative rights of all owners are protected;
  - C. since Burlington's study of this pool was confined to only limited areas and the results then generalized to the entire pool, a temporary notice period would assure that, while additional information on the impact of these proposed rules is being obtained, if there are correlative rights issues that have not been anticipated, notice and the opportunity to object would assure these problems are brought to the Division;
  - D. a temporary notice period will allow each operator in the pool to determine if it is affected by a proposed offsetting infill well; and
  - E. with a temporary notice period, the correlative rights problems to which Burlington testified resulting from additional infill drilling in the portions of this pool where wells drain 160-acre or more can be evaluated.

(14) Although Burlington recommended that notice to adjacent operators of proposed second and third infill wells be required in Special Qualifying Areas will drain 160-acres or more, and although Burlington's evidence established that there are areas throughout this pool where wells drain 160-acres or more (Burlington Exhibit No. 13), Burlington opposed notice of second and third infill wells on a temporary basis to adjacent operators throughout this pool to assure there are no correlative rights problems that have not been anticipated or discovered in the study of the three pilot areas.

(15) Cinco opposed Amoco's proposed notice provisions and testified that it was concerned that this provision could be used by operators in the pool to delay infill development.

(16) The approval of a temporary two year notice period for the third infill well drilled on any standard spacing or proration unit in the Blanco-Mesaverde Pool will assure that any correlative rights problems which may not have been anticipated as a result of additional infill drilling in this complex reservoir will be addressed by the Division and should be **approved**.

### **VERTICAL LIMIT EXPANSION**

(17) In the portion of the Mesaverde reservoir which is near the Chacra line, it is difficult to pick the Huerfanito bentonite marker which defines the upper limit of the reservoir. To avoid this confusion, Burlington initially recommended that the vertical limits of the pool be expanded to extend the pool to 400 feet above the Huerfanito bentonite marker. Because of concern that this proposed expansion would result in the top of the pool being too close to the vertical limits of the Pictured Cliffs formation and could result in fracture stimulation height growth into the Pictured Cliffs formation, Burlington amended its request to extend the vertical limits of the pool to 300 feet above the Huerfanito Bentonite marker.

(18) Amoco and Cinco support the expansion of the vertical limits of the Blanco-Mesaverde Pool as recommended by Burlington to 300 feet above the Huerfanito bentonite marker.

**FINDING:** Expansion of the vertical limits of the Blanco-Mesaverde Gas Pool to 300 feet above the Huerfanito bentonite marker will avoid confusion and should be **approved**.

### **PRIOR APPROVALS**

(19) Applications for a third infill well on certain GPU's in this pool have been approved by the Division's Aztec District Office as well as the Division's Santa Fe District Office. All permitted wells should be approved by the order resulting from this hearing.

(20) Approval of the application of Burlington for three optional infill wells on each GPU in the Blanco-Mesaverde Gas Pool, the expansion of the vertical limits of the pool to 300 feet above the Huerfanito bentonite marker and a provision requiring that notice be provided to adjacent offset operators of all proposed third infill well in this pool for a period of two years, will be in the best interest of conservation, the prevention of waste and the protection of correlative rights.

**IT IS THEREFORE ORDERED THAT:**

(1) The application of Burlington Resources Oil & Gas Company for amendment of the Special Pool Rules and Regulations for the Blanco-Mesaverde Gas Pool is hereby approved to provide for third and fourth optional infill well on each Gas Proration Unit (GPU).

PROVIDED HOWEVER, that the application for the creation of Special Qualifying Areas within the pool is denied.

PROVIDED FURTHER, the request of Amoco Production Company for a two year notice period during which notice shall be provided to all adjacent operators of any proposed third infill well on a GPU, is hereby approved.

(2) The Special Rules for said pool are hereby amended as follows:

**SPECIAL RULES AND REGULATIONS  
FOR THE  
BLANCO-MESAVERDE GAS POOL**

Rule 2 (a). **Standard GPU (Gas Proration Unit)** in the Blanco-Mesaverde Gas Pool shall be 320-acres.

Rule 2(b). **Well location:**

Within the Blanco-Mesaverde Gas Pool an original well and up to three (3) optional "infill" wells may be drilled within a GPU, subject to the following restrictions:

(1) **Well Locations:**

(i) No well shall be located closer than 660 feet to the outer boundaries of the GPU nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.

(ii) No more than two wells located within a quarter section may be produced at one time.

(iii) No well located within a federal exploratory unit shall be located closer than 10 feet to any section, quarter section or quarter-quarter section line or subdivision inner boundary except all wells located within one-half mile of the outer boundary of any such unit shall not be closer than permitted by Rule 2(b)(1)(i).

(2) Well Density:

(i) the first infill well drilled on a GPU shall be located in the quarter section of the GPU not containing a Mesaverde well;

(ii) the second infill well drilled on a GPU shall be located in a quarter-quarter section of the GPU not containing a Mesaverde well and within a quarter section of the GPU not containing more than one (1) Mesaverde well;

(iii) the third infill well drilled on a GPU shall be located in a quarter-quarter section of the GPU not containing a Mesaverde well and within a quarter section of the GPU not containing more than one (1) Mesaverde well.

(3) Notice

(i) An operator proposing to drill a second or a third infill well on a GPU, shall make application for an increased density well by filing an Application for Permit to Drill, a copy of Division Form C-102 on which shows the boundaries of the GPU, the proposed additional infill well on the GPU, and the location of all existing Mesaverde wells on the GPU and a statement by the operator that on or before the date on which this application was filed with the Division a copy of the complete application was provided to all adjacent operators of record by certified mail-return receipt requested and that each adjacent operator was notified that it had twenty (20) days from the date this notice was mailed to file with the Division's Santa Fe Office a written objection to this increased density drilling application.

(ii) An adjacent operator is any operator of a Mesaverde GPU whose outer boundary or corner adjoins the GPU in which the proposed additional infill well is to be located.

(iii) The Division Director may approve the Application for Permit to Drill if no objection is timely received within twenty (20) days of the date on which notice was mailed to adjacent offsets. An application for increased density drilling shall be set for hearing before a Division Examiner at the discretion of the Director or if an objections thereto is received from an adjacent operator.

**Rule 3. Administrative Exceptions**

The Division Director, in accordance with the applicable provisions of General Rule 104, may grant an exception to Rule 2 when an application has been submitted to the Division including notification to the affected parties as set forth in Rule 2(b)2.

(3) Notice Rule 2(c)(3) shall expire two years from the date of this order unless extended by order of the Division.

(4) All applications for second and third infill wells on standard GPU's in the Blanco-Mesaverde Gas Pool which have been approved by the District Supervisor of the Division's Aztec District Office or the Division's Santa Fe District Office are hereby approved.

(5) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

**DONE** at Santa Fe, New Mexico, on the day and year hereinabove designated.

**STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION**

LORI WROTENBERY  
Director

S E A L

# GALLEGOS LAW FIRM

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Santa Fe, New Mexico 87505  
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November 16, 1998  
(Our File No. 98-266.00)

J.E. GALLEGOS \*

## **VIA HAND-DELIVERY**

Examiner Michael E. Stogner  
New Mexico Oil Conservation Division  
2040 South Pacheco  
Santa Fe, New Mexico 87505

Re: Application of Burlington Resources Oil & Gas Company to Amend Pool  
Rules of the Blanco Mesaverde Gas Pool; NMOCD Docket No. 12069

Dear Examiner Stogner:

Enclosed please find two copies of a proposed Order of The Division in this matter which we are submitting on behalf of IPAA New Mexico, Cinco Partnership, Turner Production Co. and Schultz Management Co. Your consideration is appreciated.

Sincerely,

GALLEGOS LAW FIRM, P.C.

By   
J.E. GALLEGOS

JEG:sa

Enclosures

cc: Thomas Kellahin  
William Carr  
Frank Gorham III  
Fred Turner  
Charles Schultz  
ioc: Caroline C. woods

\* New Mexico Board of Legal Specialization  
Recognized Specialist in the area of  
Natural Resources-Oil and Gas Law

**STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION FOR THE PURPOSE OF  
CONSIDERING:**

**CASE NO. 12069  
Order No. \_\_\_\_\_**

**APPLICATION OF BURLINGTON RESOURCES  
OIL & GAS COMPANY TO INCREASE THE  
VERTICAL LIMITS, PROVIDE NOTICE  
REQUIREMENTS, ESTABLISH ADMINISTRATIVE  
PROCEDURES AND ADOPT A NEW RULE 2(c),  
RULE 3 AND TO AMEND RULE 2(b) FOR  
THE SPECIAL RULES AND REGULATIONS FOR  
THE BLANCO MESAVERDE POOL,  
RIO ARRIBA AND SAN JUAN COUNTIES, NEW MEXICO**

**ORDER OF THE DIVISION  
[Submitted by IPAANM, et al.]**

**BY THE DIVISION:**

This cause came on for hearing on 8:15 a.m. on October 29, 1998, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this \_\_\_ day of November, 1998, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

**FINDS THAT:**

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) Burlington Resources Oil & Gas Company ("Burlington") seeks an order of the Division to increase the vertical limits, provide the notice requirements, establish administrative procedures and adopt Rule 2(c), Rule 3, Rule 4 and to amend Rule 2(b) of the Special Rules and Regulations for the Blanco-Mesaverde Gas Pool for purposes of increasing well density and changing well location requirements for Mesaverde wells in this pool such that, under certain restrictions, optional drilling of up to four wells can

be drilled within a standard 320-acre gas proration and spacing unit. This request would increase the well density from the current maximum of two (2) wells (160-acre infill) provided in Order R-8170, as amended, to a maximum of four (4) wells (80-acre infill) per 320-acre gas proration and spacing unit.

(3) In compliance with Division notice rules, Burlington mailed 3,500 copies of its application including its proposed rules and notice of hearing to operators, individuals and companies with mineral interests in the Blanco Mesaverde pool. Notice of this case was also published in the newspaper and on the Division's hearing docket.

### **Parties**

(4) The following parties of record entered their appearances in this case and participated at the hearing:

- (a) Burlington, the applicant, is the operator of approximately 2287 wells currently producing from the Blanco Mesaverde Gas Pool.
- (b) Amoco Production Company, appeared in support of the applicant on all issues except for notification and the necessity of creating "special qualifying areas."
- (c) The independent Petroleum Association of New Mexico, Cinco General Partnership, Turner Production Co. and Schultz Management Co., appeared in support of the applicant, except for the necessity of creating "special qualifying areas."

### **FACTS IN SUPPORT OF WELL DENSITY INCREASE**

Intervenors adopt the submittal of the Applicant in this regard.

### **WELL LOCATION RULES CHANGE**

Intervenors adopt the submittal of the Applicant in this regard.

### **SPECIAL QUALIFYING AREA**

(5) Burlington sought to identify eight areas within the subject pool where two wells per GPU adequately drain the unit and proposes to designate these as "Special Qualifying Areas." Burlington's proposal is that the second or third infill well may be drilled only upon approval by the Division after notice and, if there is objection, after hearing.

(6) The sizing of well proration units is not exact in all situations as to drainage area and there are various defined gas pools where geologic anomalies result

in greater drainage areas than the spacing rules contemplate. Burlington's exhibit on this issue (Exhibit Tab 13) demonstrates that within the proposed Special Qualifying Areas its own studies indicate adequate drainage is not achieved by two wells (colors other than black). That same exhibit reveals multiple other supposed adequate drainage areas (colored in black), some of which embrace several sections, but are not within the proposed Special Qualifying Areas.

(7) It is unnecessary and probably administratively unworkable to differentiate eight such areas within the Pool to be developed differently than the rest of the Pool. Individual operators are capable of evaluating whether the specific geology of a particular GPU justifies the drilling of additional wells.

(8) The objections by Amoco and by the Independent Petroleum Association of New Mexico, et al. to the Special Qualifying Area portion of this application are well taken.

### **AMOCO'S NOTIFICATION AND OBJECTION PROCEDURE**

Intervenors adopt the submittal of Applicant in this regard.

#### **IT IS THEREFORE ORDERED:**

(1) The well density in the Blanco Mesaverde Gas Pool should be and hereby is increased from a maximum of two well per GPU to four wells (80 acre infill) per GPU for the entire Pool.

(2) Effective on the first of the month following the issuance of this Order, if not appealed to the Oil Conservation Commission, the rule changes for the Blanco-Mesaverde Gas pool purposed by Burlington are adopted, except that Rule 2(b) addressing the purposed Special Qualifying Areas is deleted and Rule 2(c) shall be remembered as "Rule 2(b)."

(3) The vertical limits of the Blanco Mesaverde Gas Pool are amended so that northeast of the Chacra Line the top of the pool is 300 feet above the Huerfancio Bentonite Marker and the base is 500 feet below the top of the Point Lookout Sandstone; southwest of the Chacra Line the top of the Pool is 750 feet below the Huerfancio Bentonite Marker and the base is 500 feet below the top of the Point Lookout Sandstone.

(4) Jurisdiction of this case is retained for the entry of further orders as may become necessary.

ENTERED at Santa Fe, New Mexico on the date above stated.

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

LORI WROTENBERY, Director

**KELLAHIN AND KELLAHIN**  
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W THOMAS KELLAHIN\*

\*NEW MEXICO BOARD OF LEGAL SPECIALIZATION  
RECOGNIZED SPECIALIST IN THE AREA OF  
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

November 16, 1998

**HAND DELIVERED**

Mr. Michael E. Stogner  
Hearing Examiner  
Oil Conservation Division  
2040 South Pacheco  
Santa Fe, New Mexico 87505

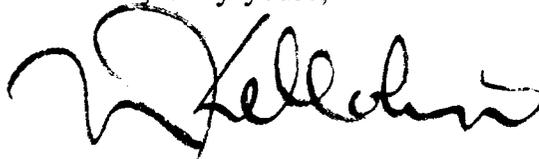
NOV 16 1998

Re: NMOCD Case 12069  
Application of Burlington Resources Oil & Gas  
Company to increase well density and amend  
well locations and vertical limits for the Blanco  
Mesaverde Gas Pool

Dear Mr. Stogner:

In accordance with your directions at the hearing of the referenced case held on October 29, 1998, please find enclosed a proposed order submitted on behalf of Burlington Resources Oil & Gas Company.

Very truly yours,



W. Thomas Kellahin

cc: William F. Carr, Esq.  
Attorney for Amoco  
J. E. Gallegos, Esq.  
Attorney for IPANM  
Burlington Resources Oil & Gas Company  
Attn: Alan Alexander

**STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION FOR THE PURPOSE OF  
CONSIDERING:**

**CASE NO. 12069**

**Order No. \_\_\_\_\_**

**APPLICATION OF BURLINGTON RESOURCES  
OIL & GAS COMPANY TO INCREASE THE  
VERTICAL LIMITS, PROVIDE NOTICE  
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THE SPECIAL RULES AND REGULATIONS FOR  
THE BLANCO MESAVERDE POOL,  
RIO ARRIBA AND SAN JUAN COUNTIES, NEW MEXICO**

**ORDER OF THE DIVISION**

**BY THE DIVISION:**

This cause came on for hearing at 8:15 a.m. on October 29, 1998, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this \_\_\_\_ day of November, 1998, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

**FINDS THAT:**

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) Burlington Resources Oil & Gas Company ("Burlington") seeks an order of the Division to increase the vertical limits, provide for notice requirements, establish administrative procedures and adopt Rule 2(c), Rule 3, Rule 4 and to amend Rule 2(b) of the Special Rules and Regulations for the Blanco-Mesaverde Gas Pool for purposes of increasing well density and changing well location requirements for Mesaverde wells in this pool such that, under certain restrictions, optional drilling of up to four wells can be drilled within a standard 320-acre gas proration and spacing unit. This request would increase the well density from the current maximum of two (2) wells (160-acre infill) provided in Order R-8170, as amended, to a maximum of four (4) wells (80-acre infill) per 320-acre gas proration and spacing unit.

### **Notice of Hearing**

(3) In compliance with Division notice rules, Burlington sent approximately 3,500 copies of its application including its proposed rules and notice of hearing to operators, individuals and companies with mineral interests in the Blanco Mesaverde Pool. Notice of this case was also published in the newspaper and on the Division's hearing docket which is mailed to approximately 300 operators in New Mexico.

### **Parties**

(4) The following parties of record entered their appearances in this case and participated at the hearing:

(a) Burlington, the applicant, is the operator of approximately 2287 wells currently producing from the Blanco Mesaverde Gas Pool.

(b) Amoco Production Company, appeared in support of the applicant on all issues except for notification and the necessity of creating "special qualifying areas".

(c) The Independent Petroleum Association of New Mexico, Cinco General Partnership and Fred Turner, appeared in support of the applicant.

(5) In addition to the parties of record, the hearing was attended by representatives of the Bureau of Land Management, the Commissioner of Public Lands, and the Division's Supervisor-Aztec and various royalty, overriding royalty and surface owners.

### Jurisdictional issue

(6) The Oil & Gas Act specifically provides in Section 70-2-17.B, NMSA (1979) that:

"The Division may establish a proration unit for each pool, such being the area that can be efficiently and economically drained and developed by one well, and in so doing the Division shall consider the economic loss caused by the drilling of unnecessary wells, the protection of correlative rights, including those of royalty owners, the prevention of waste, the avoidance of the augmentation of risk arising from the drilling of an excessive number of wells and the prevention of reduced recovery which might result from the drilling of too few wells.

### Background

(7) On February 25, 1949, the Division created the Blanco-Mesaverde Gas Pool and adopted 320-acre gas proration units ("GPU") for this pool, based upon the assumption that one well would drain and develop 320-acres.

(8) Effective March 1, 1955, the Division established gas prorationing for this pool.

(9) On August 13 and 14, 1974, In Case 5264, the Commission held a hearing to determine if the well density of 1 well per GPU was adequate for this pool. On November 14, 1974, the Commission issued Order R-1670-T in which it concluded (a) that one well per GPU in this pool was inadequate to drain the gas reserves of this pool, (b) that to reduce the number of acres in a GPU would impair correlative rights by disturbing the equities in many of the existing GPUs, and (c) that more than 1 well per GPU was necessary in order to increase ultimate gas recovery from this pool.

(10) Accordingly, in Order R-1670-T, the Commission adopted "optional infill drilling" for this pool by permitting in Rule 2 for the drilling of a second well within a 320-acre GPU, provide this **one optional** "infill well" is be located on the opposite 160-acres from the 160-acres containing the original well ("the initial well") **and** further provided that the infill well is not closer than 790 feet (but subject to a 200 foot topographical allowance) to the outerboundary of a quarter section nor closer than 130 feet to an interior quarter-quarter section line.

(11) By Order R-5459, entered on March 23, 1977, the Division redefined the top vertical limits for this pool in relation to "Chacra Line" which is orientated northwest to southeast, separating the pool such that approximately 2/3rd of the pool is northeast of this line and 1/3rd is southwest of this line. The vertical limit for the pool is described in relation to the Chacra line and to the Huerfanito Bentonite Marker such that southwest of the Charca line the top of the pool is a point 750 feet below the Huerfanito Bentonite Marker and Northeast of the line the top of the pool is a point contiguous with the Huerfanito Bentonite Marker.

(12) On September 20, 1978, the Division issued Order R-1670-U which amended Rule 2 to permit the initial well on the proration unit to be drilled on either 160-acre tracts comprising the unit, so long as the well is no closer than 790 feet to the outer boundary of the quarter section and no closer than 130 feet to any quarter-quarter section line or subdivision inner boundary.

(13) On March 28, 1986, the Commission issued Order R-8170 which, among other things, promulgated the Rules and Regulations for the Prorated Gas Pools, including "reformatting" Rule 2 of the Rules and Regulations for the Blanco Mesaverde Gas Pool which **currently provides:**

**"A. WELL ACREAGE AND LOCATION REQUIREMENTS**

**RULE 2(a). Standard GPU (Gas proration Unit) in the Blanco-Mesaverde Gas Pool shall be 320 acres.**

**RULE 2(b) Well Location:**

1. THE INITIAL WELL drilled on a GPU shall be located not closer than 790 feet to any outer boundary of the quarter section on which the well is located and not closer than 130 feet to any quarter-quarter section line or subdivision inner boundary.

2. THE INFILL WELL drilled on a GPU shall be located in the quarter section of the GPU not containing a Mesaverde well, and shall be located with respect to the GPU boundaries as described in the preceding paragraph."

### **Burlington's study**

(14) During the last two and one-half years, Burlington has conducted an extensive study to determine if the current well density of 2 wells per GPU is still appropriate for this pool, which included:

(a) evaluating pressure data in both the initial and infill well for approximately 1,200 GPUs in the Blanco Mesaverde Pool which demonstrates that pressure declines range from 5 to 35 psi/year with the majority of the pool declining at less than 20 psi/year. **(See Burlington Exhibit Tab 9)**

(b) using approximately 1600 feet of core data from 9 wells and approximately 2000 well logs which is sufficient to provide a representative characterization of saturation and porosity for determining original gas in place for the pool. **(See Burlington Exhibit Tabs 7 & 8)**

(c) using detailed naturally fractured log analysis techniques to accurately calculate the original gas in place for this pool. **(See Burlington Exhibit 6);**

(d) estimating ultimate gas recoveries ("EUR") for 4,200 wells in this pool using decline curve analysis;

(e) accurately constructing a drainage map for this pool to determine which, if any, areas of the pool are being adequately drained by the existing two well per GPU density.

(f) using geostatistic and stochastic modeling in order to capture and quantify the correlatability and directionality of existing data and distribute this data in a non-averaging method between data points which allows the creation of more realistic geologic models for a more accurate reservoir simulation. **(See Burlington Exhibit Tab 8)**

(g) undertaking three pilot projects in the Blanco Mesaverde Pool to study the feasibility of drilling additional wells in a GPU:

(i) San Juan 29-7 Unit project approved by  
Division Order R-10720

(ii) San Juan 27-5 Unit project approved by  
Division Order R-10936

(iii) Drill Block project approved by Division  
Order R-10949

(h) determining if it is economic to drill additional wells at  
acreage densities as small as 80-acre per well.

### Well Density Issue

(15) Based upon this study of the geological and reservoir engineering data available from some 4,300 wells covering one million acres of this pool, Burlington has concluded that:

(a) under current pool rules (2 wells per GPU density):

(i) only 9% of the pool area is being adequately drained by the current density; **(See Burlington Exhibit Tab 13)**

(ii) the pool originally contained 28.5 trillion cubic feet of gas ("OGIP") of which only 44% (12.5 TCF) will be recovered under the current well density leaving approximately 56% (15.96 TCF) unrecovered. **See Burlington Exhibit Tab 12)**

(iii) 91% of the pool area is not being adequately drained by the current well density. **(See Burlington Exhibit Tab 13)**

(b) under the proposed pool rules (4 wells per GPU density):

(i) increasing well density to a maximum of 4 wells per GPU creates the opportunity to recover an additional 1-1/2 to 3 trillion cubic feet of gas from this pool;

(ii) based upon the pilot studies, between 57% and 86% of the production from the increased density wells is expected to be new reserves which would not otherwise be recovered.

(iii) Burlington has determined that it is economic to drill up to 2 wells per 160-acres in 91% of the pool.

(16) Burlington's conclusions are supported by the following technical evidence:

(a) this pool is a complex layered reservoir characterized by three major producing intervals: the Cliff House, a complex transgressive marginal marine depositional environment which is difficult to correlate at current well spacing; the Menefee, a delta plain environment with primarily fluival and distributary channels with individual sand bodes which are not correlatable at the current well density; and the Point Lookout, a regressive marginal marine environment which is fairly continuous.

(b) reservoir simulation of the data for the San Juan 29-7 Unit and the San Juan 27-5 Unit demonstrates a range of drainage areas from 40 acres to 160-acres per well.

(c) the geologic and reservoir characteristics for this pool are similar to those in the San Juan 29-7 Unit and the San Juan 27-5 Unit.

(d) the difference between the size of drainage areas in the pool cannot be attributed to differences in matrix porosity, matrix permeability, reservoir structure or reservoir thickness.

(e) this pool is characterized by very low matrix permeability which, in the absence of sufficient natural fractures, cannot be drained by the current well density

(f) very small localized areas amounting to less than 9% of the pool, have sufficient natural fractures to allow the current 2 wells per GPU density to drain 320 acres. These limited areas demonstrate a range of pressure drop per year of more than 20 psi. To increase well density in these limited areas of the pool (defined on Burlington's Exhibit Tab 13 drainage map with the black color drainage code) will simply accelerate the rate of recovery of existing reserves or potentially drain offsetting GPUs.

(17) The Division finds:

(a) Burlington's study is based upon substantial evidence utilizing data and modern methodologies of data collection and analysis which were not available in 1974 when the Commission authorized 2 well density per GPU for this pool;

(b) Burlington's study demonstrates that it is now appropriate to adopt and amend rules and regulations for this pool in order to drill more wells per GPU than is currently permitted by Rule 2(b) of the pool rules.

(c) the current well density is inadequate for 91 % of the pool and that by allowing operators the option on a pool wide basis to increasing well density to 4 wells per GPU creates an opportunity to substantially increase ultimate recovery from this pool which will prevent waste and protect correlative rights.

(d) to increase well density in certain limited areas of the pool, as indicated on Burlington's Exhibit Tab 13 drainage map with the black color drainage code, will simply accelerate the rate of recovery of existing reserves by the drilling of unnecessary wells thereby causing waste as defined by Section 70-2-17.B NMSA 1979.

(e) that wells shall be located as follows: (i) the FIRST OPTIONAL INFILL WELL drilled on a GPU shall be located in the quarter section of the GPU not containing a Mesaverde well; (ii) the SECOND OPTIONAL INFILL WELL drilled on a GPU shall be located in a quarter-quarter section of the GPU not containing a Mesaverde well and within a quarter section of the GPU not containing more than one (1) Mesaverde well; (iii) the THIRD OPTIONAL INFILL WELL drilled on a GPU shall be located in a quarter-quarter section of the GPU not containing a Mesaverde well and within a quarter section of the GPU not containing more than one (1) Mesaverde well; (iv) at the discretion of the operator, the Second or Third Optional Infill Well may be drilled prior to the First Optional Infill Well being drilled.

### **Well Location "Footage Setback" Issue**

(18) Burlington proposes that well location ("footage setback") requirements be amended as follows:

(a) wells drilled on a GPU shall be located not closer than 660 feet to the outer boundary of a standard sized GPU or an approved non-standard GPU and not closer than 10 feet to any interior quarter or quarter-quarter section line or subdivision inner boundary within the GPU.

(b) wells located within federal exploratory units shall not be closer than 10 feet to any section, quarter section or interior quarter-quarter section line or subdivision inner boundary except that wells located within one-half mile of the outer boundary of any such unit, shall not be closer than permitted by (17)(a) above.

(19) Burlington's study demonstrates that:

(a) the current pool rules which require 790 foot exterior setbacks and 130 foot interior setbacks has resulted in the "undrained" portions of gas reserves being located between the original and first infill well within a GPU and between GPUs

(b) in order to increase the opportunity to locate wells in the optimum position to drain those additional reserves it is either necessary to process numerous cases for unorthodox well locations or relax the exterior and interior footage setback requirements.

(c) relaxing the footage setbacks will not impair correlative rights because in 91 % of the pool the drainage areas per well are less than 160 acres, and due to the lower permeability of the reservoir, it takes many months before any potential adverse impact will occur to offsetting GPUs during which time those operators will have an opportunity to best chose when and where to locate their own wells.

(20) The Division finds that adopting Burlington's proposed well location "footage" setback proposal will be in the best interest of conservation, the prevention of waste and the protection of correlative rights.

### **Special Qualifying Areas**

(21) Burlington's evidence demonstrates that the current 2 well per GPU density is adequate for only approximately 9% of the pool and to increase well density in these limited areas of the pool, as indicated on Burlington's Exhibit Tab 13 drainage map with the black color drainage code, will largely accelerate the rate of recovery of existing reserves by the drilling of unnecessary wells thereby causing waste as defined by Section 70-2-17.B NMSA 1979.

(22) Many of these black areas are isolated and scattered throughout the pool and represent the localized drainage areas of not more than 1-3 wells.

(23) It is not necessary to limit every area indicated in black of Burlington's drainage map to the current well density because only six areas have a sufficient concentrations of wells capable of draining 160 acres in order to pose a potential risk of impairing correlative rights by either (i) draining offsetting GPUs with additional wells or (ii) by requiring owners within existing GPU's to pay for additional wells which are not necessary and which will only increase the rate of recovery of existing reserves.

(24) Burlington has identified six general areas of the pool which have a sufficient concentration of GPUs where 2 wells per GPU are adequate and has proposed to characterize these as "Special Qualifying Areas" ("SQA") in which any increased density well may be approved only after notice and in the absence of objection.

(25) Amoco has objected on the grounds that these SQA are arbitrary because they also include some areas in which the blue color drainage code on Burlington's drainage map indicates 40-acre or less will be drained.

(26) Burlington contends that:

(a) it is not necessary to precisely determine the high drainage areas within the SQA because operators can still drill increased density wells in the SQA upon notice and in the absence of objection; if an objection is made then the issues of rate acceleration and drainage can be addressed at a hearing so that correlative rights can be protected and waste prevented;

(b) the inclusion of some 40-acre drainage areas within the proposed SQA (indicated on Burlington's Exhibit Tab 13 with the blue drainage color code) does not violate correlative rights because those areas cannot drain more than 40-acres and therefore do not pose a risk of drainage to the offsetting GPUs.

(27) The Division finds that:

(a) in order to comply with Section 70-2-17.B NMSA 1979, the Division needs to provide a procedure to protect those six areas of the pool which are being adequately drained by the current 2 well per GPU density from having an excessive number of wells drilled.

(b) Burlington's proposed procedure for these six Special Qualifying Areas is reasonable and necessary in order to comply with Section 70-2-17.B NMSA 1979)

(c) In addition to notice to offsetting operators, notice should also be provided to the owners within the subject GPU so that they will have an opportunity to object to being required to pay for increased density wells which may only accelerate the recovery of existing reserves.

(d) Amoco's objection is without merit and Burlington's proposal, as modified by this order, for establishing Special Qualifying Areas as set forth on Exhibit "B" to this order should be adopted in order to prevent the drilling of unnecessary wells, prevent waste and protect correlative rights.

**Amoco's proposed "pool wide"  
well by well notification and objection procedure**

(28) While Burlington has proposed limiting additional notice, objection and hearing procedures for increased density well applications to six limited areas of the pool, Amoco has proposed expanding those notice/objection/hearing procedures to the entire pool regardless of the amount of acreage being drained.

(29) Although Amoco supports changing the pool rules to allow for 4 wells per GPU, it has proposed the adoption of a requirement that the applicant for an increased density well must notify all offset operators and in the event of an objection, for any reason, then the matter would be set for an Examiner's hearing.

(30) Burlington, Independent Petroleum Association of New Mexico, and Cinco General Partnership oppose Amoco's request on the grounds that such a notice procedure would defeat the adoption of the increased density rule for 91% of the pool, would require unnecessary notice and potential hearing in areas of the pool where only limited drainage was occurring and no correlative rights would be impaired.

(31) The Division finds that Amoco's proposal:

- (a) defeats the adoption of an increased well density rule which Amoco supports and which the substantial and uncontested evidence demonstrates is necessary for 91% of this pool;
- (b) would cause the issue of increased well density for the pool to be examined on a well by well basis instead of on a pool wide basis;
- (c) is unnecessary for 91% of the pool where wells are not capable of draining more than 160-acres;
- (d) is not necessary because correlative rights are not violated in 91% of the pool where wells will drain less than 160-acres and therefore do not pose a risk of drainage to the offsetting GPUs;
- (e) would create the real risk that the development of increased density wells would not be uniformly applicable to a substantial majority of the pool;
- (f) would provide a burdensome procedure which would disrupt the opportunity for orderly development of increased density wells;
- (g) would provide a procedure so an offset operator, by objecting, could arbitrarily use an objection to limit offset well or avoid an obligation to develop its own acreage;

(h) would circumvent the Division's decision in accordance with Section 70-2-17.B NMSA 1979 concerning appropriate well density for this pool and allow individual operators to arbitrary limit and restrict development;

(i) Amoco's proposal is unreasonable, unnecessary and without merit.

### **Increasing the vertical limit of the pool**

(32) By Order R-5459, entered on March 23, 1977, the Division redefined the top vertical limit for this pool in relation to the Charca line and to the Huerfanito Bentonite Marker such that southwest of the Charca line the top of the pool is a point 750 feet below the Huerfanito Bentonite Marker and Northeast of the line the top of the pool is a point contiguous with the Huerfanito Bentonite Marker.

(33) As a result of this definition, in the area northeast of the Charca line, there is an interval of not less than 400 feet in thickness, including the Lewis Shale, which is below the current base of the Pictured Cliffs Pool and yet above the current top of the Blanco Mesaverde Pool

(34) In response to a request by the Division-Aztec office, Burlington presented evidence to demonstrate that the top vertical limits of this pool can be increased approximate 300 feet without interference with the overlying Pictured Cliffs pools.

(35) The Division finds that adopting Burlington's proposal to increase the vertical limits of the pool will be in the best interest of conservation, the prevention of waste and the protection of correlative rights.

### **Division's Additional Findings and Conclusions**

(36) The **Division finds that:**

(a) All parties appearing before the Division were in support of modifying current well density and well location rules.

**(b) Notifications:**

(i) With the exception of Rule 2(a) dealing with the size of a gas proration and spacing unit in this pool, all other rules for this pool involve operational aspects dealt with by the operators of existing GPU's for this pool.

(ii) The Division should adopt a procedure whereby future changes in the rules and regulations for the pool, excluding Rule 2(a), may be made based upon notice to operators and not to all interest owners in the pool.

**(c) Grandfathering:**

(i) Order R-1670-T currently limits the number of wells in a GPU to an original well and to one optional infill well drilled on the opposite 160-acres from the 160-acre containing the original well.

(ii) Notwithstanding this limitation, the OCD-Aztec has allowed a third well ("second infill well") to be drilled in a number of GPUs.

(iii) Any second infill well drilled to or completed in this pool prior to the effective date of an order approving this application shall be deemed to have also approved these existing second infill wells.

**(d) Coordination with BLM:**

(i) Because the proposed special qualifying area of this pool includes numerous federal oil and gas leases, it is necessary to adopt a procedure to allow the BLM to withhold its approval of an application for permit to drill ("APD") until such time as the applicant has submitted to the

BLM proof that the applicant has satisfied the requirements of proposed Rule 2(b).

(ii) The Division's District Supervisor should be authorized to develop with the concurrence of the Bureau of Land Management such a procedures to insure compliance with proposed Rule 2(b).

(37) The amendments of the Rules and Regulations of the Blanco-Mesaverde Gas Pool as set forth in Exhibit "A" will prevent the economic loss caused by the drilling of unnecessary wells, will avoid the risks associated with the drilling of an excessive number of wells, will increase the opportunity to produce new reserves and improve recovery of gas from this pool, will provide a workable, fair and efficient regulation of well locations and spacing units while preventing waste of valuable hydrocarbons and the protection of the correlative rights of the owners of that production.

(38) The Special Qualifying Areas as proposed by Burlington and as set forth in Exhibit "B" to this order should be adopted in order to prevent waste and protect correlative rights.

**IT IS THEREFORE ORDERED THAT:**

(1) Effective on the first day of the month following the issuance of this order, the Rules and Regulations of the Blanco-Mesaverde Gas Pool are hereby amended to conform to the rule changes as set forth in Exhibit "A" attached hereto and made part of this order.

(2) The vertical limits of this pool shall be amended as follows:

The vertical limit for the pool are described in relation to the Chacra line and to the Huerfanito Bentonite Marker such that southwest of the Charca line the pool limits shall be defined as follows: the top of the pool shall be a point 750 feet below the Huerfanito Bentonite Marker down to the base of the pool which shall be a point 500 feet below the top of the Point Lookout Sandstone and Northeast of the line the top of the pool shall be defined as a point 300 feet above the Huerfanito Bentonite Marker down to the base of the pool which shall be a point 500 feet below the top of the Point Lookout Sandstone.

(3) Special Qualifying Areas for this Pool are hereby adopted and described as set forth on Exhibit "B" attached hereto and made part of this order.

(4) Any second infill well drilled to or completed in this pool prior to the effective date of an order approving this application shall be deemed to have also approved these existing second infill wells.

(5) In the event that an application to drill a third well on a GPU has been approved by the Division but the drilling of said well has not actually commenced, said approval is void and must be resubmitted in accordance with the amendment of the rules for this pool as made by this order.

(6) A procedure is hereby adopted that future changes in the rules and regulations for the pool, excluding Rule 2(a), may be made based upon notice **only** to operators and not to all interest owners in the pool.

(7) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinafter designated.

**STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION**

**LORI WROTENBERY, DIRECTOR**

**EXHIBIT "A"**  
**ADOPTED RULE CHANGES**

**"A. WELL ACREAGE AND LOCATION REQUIREMENTS**

**RULE 2(a). Standard GPU (Gas proration Unit)** in the Blanco-Mesaverde Gas Pool shall be 320 acres.

**RULE 2(b) Well locations and well density in Special Qualifying Area:**

Within the Special Qualifying Area of the Pool, a second and third optional "infill" well may be drilled within a GPU in accordance with Rule 2(c) pursuant to the following procedures:

1. Operators of an existing GPU which contains both an original well and a first optional infill well and who desire to drill a second or third optional infill well shall send a copy of its Application for Permit to Drill ("APD") to **all owners in the subject GPU and to all adjacent operators** by certified mail-return receipt requested advising that they have twenty (20) days from receipt to file with the Division's District Supervisor a written objection to the application.
2. An adjacent operator shall be any operator of a Mesaverde GPU whose side boundary or corner adjoins the side boundary or corner of the quarter-quarter section in which the proposed optional infill well is to be located.
3. The Division's District Supervisor may approve the application for permit to drill ("APD") upon receipt of the APD and certification by the applicant that all adjacent operators have received notification and no objections have been received within a twenty (20) day notice period.
4. Well locations for approved second or third optional infill wells in the Special Qualifying Area shall not be closer than permitted by Rule 2(c)(1)(i).
5. The District Supervisor, in the absence of objection, shall approve the Application for permit to drill.

6. The lands included in the Special Qualifying Areas of this pool are described in Exhibits "B" which attached to this order and incorporated herein.

**RULE 2(c) Well locations and well density for all acreage in the pool outside any special qualifying area:**

Within any area of the Pool outside any special qualifying area, an original well and up to three (3) optional "infill" wells may be drilled within a GPU, subject to the following restrictions:

(1) Well Locations:

(i) wells drilled on a GPU shall be located not closer than 660 feet to the South and North lines nor closer than 660 feet to the East and West lines of a GPU and not closer than 10 feet to any interior quarter or quarter-quarter section line or subdivision inner boundary.

(ii) wells located within federal exploratory units shall not be closer than 10 feet to any section, quarter section or interior quarter-quarter section line or subdivision inner boundary except that wells located within one-half mile of the outer boundary of any such unit, shall not be closer than permitted by Rule 2(c)(1)(i) above.

(2) Well Density:

(i) the FIRST OPTIONAL INFILL WELL drilled on a GPU shall be located in the quarter section of the GPU not containing a Mesaverde well;

(ii) the SECOND OPTIONAL INFILL WELL drilled on a GPU shall be located in a quarter-quarter section of the GPU not containing a Mesaverde well and within a quarter section of the GPU not containing more than one (1) Mesaverde well;

(iii) the THIRD OPTIONAL INFILL WELL drilled on a GPU shall be located in a quarter-quarter section of the GPU not containing a Mesaverde well and within a quarter section of the GPU not containing more than one (1) Mesaverde well.

(iv) At the discretion of the operator, the Second or Third Optional Infill Well can be drilled prior to the drilling of the First Optional Infill Well.

(v) No more than two wells shall be located within either 160-acre tract of a GPU

### **RULE 3. Administrative Exceptions**

The Division Director, in accordance with the applicable provisions of General Rule 104, may administratively grant an exception to Rule 2(c)(1) when an application has been submitted to the Division including notification by certified mail-return receipt to the affected parties.

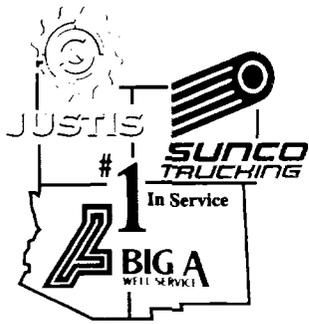
### **RULE 4. Pool Rules Changes**

Future changes in the rules and regulations for the pool, excluding Rule 2(a), may be made after notice and hearing based upon notice **only** to operators and not to all interest owners in the pool.

EXHIBIT "B"

Lands included in Special Qualifying Area

- Township 28 North Range 05 West NMPM  
Sections 19, 29, 30
- Township 28 North Range 06 West NMPM  
Sections 8, 9, 10, 11, 13, 14, 15, 16, 17, 21, 24
- Township 29 North Range 05 West NMPM  
Sections 5, 6, 7, 8, 9, 16, 17, 18, 20, 21
- Township 29 North Range 06 West NMPM  
Sections 1, 2, 3, 4, 11, 12, 13, 14, 28, 31, 32, 33, 34
- Township 29 North Range 07 West NMPM  
Sections 22, 23, 24, 25, 26, 36
- Township 29 North Range 08 West NMPM  
Section 6
- Township 29 North Range 09 West NMPM  
Sections 1, 2
- Township 30 North Range 05 West NMPM  
Section 31
- Township 30 North Range 06 West NMPM  
Sections 7, 8, 17, 18, 19, 20, 21, 22, 26, 27, 28, 29, 30, 32, 33, 34, 35, 36
- Township 30 North Range 07 West NMPM  
Sections 2, 3, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 22, 23, 24, 25, 30
- Township 30 North Range 08 West NMPM  
Sections 1, 2, 3, 4, 6, 9, 10, 11, 12, 13, 14, 15, 16, 21, 22, 23, 24, 25, 26
- Township 30 North Range 09 West NMPM  
Sections 1, 2, 3, 14, 15, 21, 22, 27, 28, 34
- Township 31 North Range 08 West NMPM  
Sections 25, 31, 32, 36
- Township 31 North Range 09 West NMPM  
Sections 25, 26, 27, 28, 32, 33, 34, 35, 36
- Township 31 North Range 10 West NMPM  
Sections 2, 3, 11, 12, 13, 14
- Township 32 North Range 06 West NMPM  
Sections 7, 18, 19, 30
- Township 32 North Range 07 West NMPM  
Sections 12, 13, 14, 15, 16, 21, 22, 23, 24, 25
- Township 32 North Range 10 West NMPM  
Sections 9, 10, 11, 13, 14, 15, 16, 21, 22, 23, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36
- Township 32 North Range 11 West NMPM  
Sections 25, 36



# Key Four Corners, Inc.

P. O. Box 900, 5651 US Hwy. 64 • Farmington, New Mexico 87499  
(505) 327-4935 • (505) 327-0416

October 29, 1998

Ms. Lori Wrotenbery, Director  
Oil Conservation Division  
2040 South Pacheco  
Santa Fe, New Mexico 87505

*MS*  
*Case # 12169*  
RECEIVED  
OCT 29 1998

Dear Ms. Wrotenbery:

I am writing this letter to express our support for the Application of Burlington Resources Oil & Gas Company to reduce the well spacing in the Mesa Verde pool to 80 acres. We feel that this would be a great benefit to our company and community.

We support over 830 families in the San Juan Basin. Our annual payroll is approximately 27 million. The reduction of spacing in the Mesa Verde pool could bring more work to our area and help support these families during our slower period between December and April.

Burlington Resources has always been safety and environmentally conscience. They have always pursued new ways to conserve our air, land, and water, as well as, create safer working conditions in the field. We also share Burlington Resources concern for the environment. One way, in which we can reduce the hydrocarbons, nitrogen oxides and sulfur oxides from our air is in the use of natural gas for our fuel source. The proposed rule change would allow for more production of this cleaner burning fuel.

Burlington Resources is also a company that stands by its principals. Their safety and environmental policies are of the highest standards. They have always put people and environment first.

Again, I express our support in this rule change. The impact of this change will be positive for all those affected.

Respectfully,

Ron Fellabaum  
President

RF/dml

CC: Mr. John Zent, Land Manager  
Burlington Resources San Juan Division



Division of Key Energy Group, Inc.



*Cave 12069*  
*WCS*

2101 Sixth Avenue North  
Birmingham, Alabama 35203-2784  
(205) 326-2710  
FAX (205) 581-1858

Total number of pages (including cover page) 2

TO: NMOCD

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ATTN: Mr. Michael Stogner

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FROM: Greg Jennings

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DATE: October 27, 1998

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COVER MESSAGE:

If there are errors in transmission, please contact Donna Nelms on at  
(205) 326-2735, FAX (205) 581-1858.



October 27, 1998

Mr. Michael Stogner  
Chief Hearing Examiner  
NMOCD  
2040 South Pacheco  
Santa Fe, New Mexico 87505

Re: Support  
Mesaverde Increased Density Application

Dear Mr. Stogner:

This letter is intended to document Energen Resources' support of Burlington Resources' application for increased density drilling in the Mesaverde. Energen has reviewed the issues pertinent to the application and concurs that approval of this application is necessary in order to protect correlative rights, prevent waste and recover reserves that would not be recovered otherwise.

In regards to the surface issues, Energen will continue to work diligently with the appropriate regulatory agencies to insure that their concerns are addressed.

Sincerely,

Energen Resources Corporation

A handwritten signature in cursive script that reads "Gregory L. Jennings".

Gregory L. Jennings  
District Geologist  
San Juan Basin

**facsimile**  
**TRANSMITTAL**

---

**to:** Lori Wrotenbery  
**fax #:** 505-827-8177  
**re:** Case No. 12069  
**date:** October 27, 1998  
**pages:** 1 + Cover

From the desk of...  
**Evan Hanson**  
Manager – Commercial Operations  
Williams Field Services  
295 Chipeta Way  
SLC, UT 84158-0900

801-584-6986  
Fax: 801-584-7745



October 26, 1998

State of New Mexico  
Ms. Lori Wrotenbery  
Dir. - New Mexico Oil Conservation Division  
2040 So Pacheco  
Santa Fe, New Mexico 87505

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION FOR THE PURPOSE OF  
CONSIDERING:

CASE NO. 12069

Dear Ms. Wrotenbery:

In my letter dated October 22, 1998, an inadvertent error occurred in the first sentence of the second paragraph on page two. The sentence should read:

In the last two years on the Ignacio System alone, Williams has installed approximately forty (40) miles of gathering system pipeline to loop various constrained areas of its gathering systems and has placed in service over thirty-four (34) thousand horsepower of new compression to reduce gathering system pressures.

I apologize for any confusion caused by this mistake.

Very truly yours,

A handwritten signature in cursive script that reads "Evan Hanson".

Evan Hanson  
Manager - Commercial Operations

295 Chipeta Way

Salt Lake City  
801-584-6986

Utah 84108

## **Carroll, Rand**

---

**From:** Richard Wymer[SMTP:rwym@nm.blm.gov]  
**Sent:** Monday, October 26, 1998 7:57 AM  
**To:** ~~Carroll, Rand~~  
**Subject:** Mesa Verde Hearing Logistics? >

Duane Spencer asked me to inquire as to the "logistics" for this Thursday's hearing on the Mesa Verde downspacing. It affects "Indian Lands" and we wish to make a statement as to the surface impact such spacing will create on federal lands.

I pretty sure that Lee Otteni will be making the surface impact statement. At the same time, Duane is hoping to sit as "examiner" for the "Indian Lands" side of the coin.

Duane suggested a meeting late Wednesday (after 2:30 PM) to discuss. Do you or Lori have any opinions on the subject or should we have a brief meeting to discuss?



State of New Mexico  
House of Representatives  
Santa Fe

**JERRY W. SANDEL**  
D-San Juan County  
District 1

716 Rosa Street  
Farmington, NM 87401

Home Phone: (505) 325-8759  
Business Phone: (505) 334-6194  
Fax Number: (505) 334-8729

Oct. 26

October 22, 1998

CHAIRMAN:  
Taxation & Revenue

COMMITTEES:  
Consumer & Public Affairs

INTERIM COMMITTEES:  
Legislative Finance  
New Mexico Finance Authority Oversight  
Revenue Stabilization & Tax Policy (Vice Chairman)

Ms. Lori Wrotenbery, Director  
Oil Conservation Division  
2040 South Pacheco  
Santa Fe, N.M. 87505

*Case 17069*

Dear Ms. Wrotenbery:

After reviewing the application and economic data prepared by Burlington Resources Oil & Gas Company, I would like to present my remarks, for the record, in support of their application to increase the well density in the Blanco-Mesaverde Gas Pool.

As you have stated, and I agree, it is the Administration's position to create economic development in the oil and gas industry through better regulations or tax incentives. The proposed rule change will accomplish part of the Administration's position.

Since I am not an engineer, I do not want to address the technical data, it does appear to indicate to me, that there could be reserves left in the ground and not recovered, if we do not change the well spacing. This, of course, would be a waste of our natural resources, which could be put to beneficial use for the citizens of New Mexico.

The Burlington Resources engineering staff estimates indicate a 5-year economic impact of \$392 million on Federal and State Revenues. I am attaching a copy of the engineering worksheets provided to me by Burlington Resources.

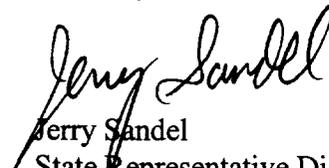
Since Burlington represents approximately 50% of the well ownership, you will have an increase in the attached revenue projects from other operators who will also take advantage of a new rule.

Page 2 of 2

As chairman of the Taxation and Revenue committee, I feel we need to explore additional state revenues without tax increases, to offset the current revenue loss of lower crude oil prices and production. At the same time, we need to maximize production and not waste the natural resources by leaving them in the ground.

Thank you for your consideration.

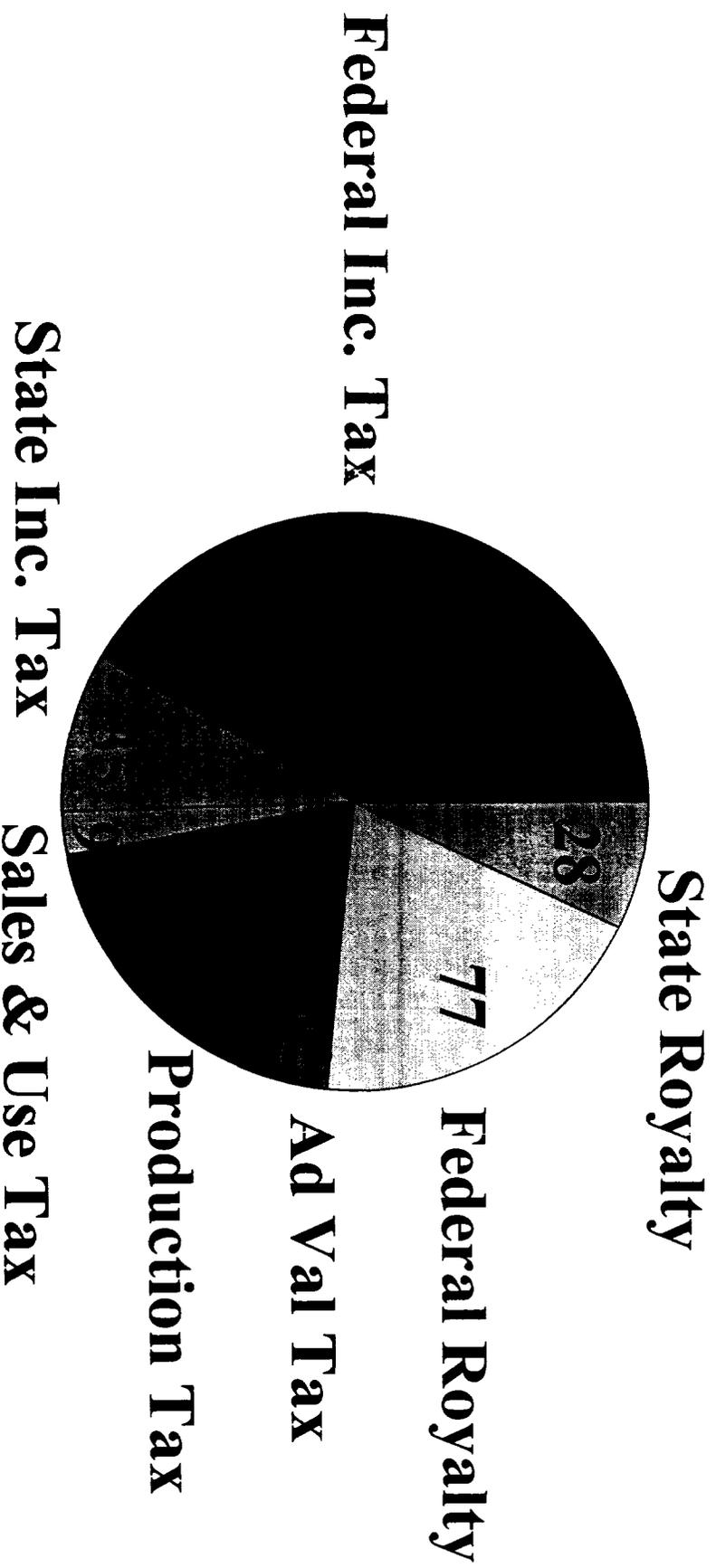
Sincerely,



Jerry Sandel  
State Representative District I

# BR 5-Year Plan

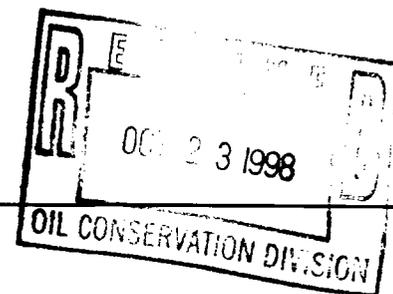
## \$MIM, 8/8ths Basis



**BURLINGTON  
RESOURCES**

**\$392 Million**





October 22, 1998

Ms. Lori Wrotenbery, Director  
 Oil Conservation Division  
 2040 South Pacheco  
 Sante Fe, New Mexico 87505

12069

MS.

RE: Application to Change Rules for San Juan Mesaverde Pool

El Paso Field Services Company, an owner and operator of significant natural gas gathering and processing assets in and around New Mexico's San Juan basin production area, is in full support of the rules changes as proposed by Burlington Resources and others pertaining to the Blanco Mesaverde Pool in Rio Arriba and San Juan Counties, NM as outlined in the attached notice and application.

Currently, El Paso Field Services Company and its parent company, El Paso Energy Corporation, employ 296 persons in the state of New Mexico. Of these, 187 are El Paso Field Services employees associated with operations located in the San Juan basin area. El Paso Energy Corporation also owns the only fully integrated coast-to-coast regulated gas transmission system through its El Paso Natural Gas and Tennessee Gas Pipeline Companies. Its marketing subsidiary, El Paso Energy Marketing Company, is one of the largest providers of merchant services in the natural gas industry, while El Paso International Company is a leading developer of energy infrastructure projects around the world. In 1997, El Paso Energy Corporation had revenues of \$5.6 billion and assets totaling \$9.5 billion.

El Paso Energy's presence and experience in the San Juan basin extends back to the 1950's. Since that time, our company has played a leading role in the development of the basin as a primary gatherer, conditioner and processor of gas. In addition, El Paso Natural Gas Company has been a longtime provider of gas transportation services for San Juan production to both eastward and westward downstream markets. In January of 1996, El Paso's gathering, conditioning and processing assets were spun down into a new non-jurisdictional midstream unit, El Paso Field Services Company, where they reside today.

El Paso Field Services currently owns and operates approximately 5,500 miles of pipeline and has facilities covering over 9,300 wells (5,500 of which have electronic flow meters) in the San Juan basin area. Our company provides a full range of midstream services including compression, treating, conditioning and NGL extraction for the over 1 Bcf of gas gathered on our system daily. We strive to provide our customers high quality service, technical expertise, access to the best downstream markets, and a willingness to deploy capital into new facilities.

Over the past three years, El Paso Field Services has spent over \$750 million expanding existing assets, as well as acquiring new assets, in an effort to provide the capabilities that we believe our customers require to succeed. Of this, over \$190 million has been deployed in the San Juan basin. In 1996, the company spent \$80 million to expand and upgrade its existing Chaco gas processing plant. The result is a state-of-the-art

cryogenic plant that will be capable of processing as much as 650 MMcf of natural gas per day by early 1999. Not only has this plant allowed our San Juan customers to expand their production over the last several years, its ability to extract 93% of ethane and 100% of all other liquids has allowed them to realize increased economic value from their production efforts.

El Paso Field Services also spent over \$50 million on our recently completed Global Compression Project, whereby we installed approximately 40,000 H.P. of compression (36,000 electric-driven) and 54 miles of field piping to reduce wellhead pressures to below 150 psig on 70% of our system. This project is expected to increase production by approximately 130 MMcf per day, while extending the life of the basin. An additional \$60 million in capital has been spent by our company on additional compression, piping, electronic metering and treating assets. In total, these projects clearly demonstrate El Paso Fields Services' commitment to grow with our San Juan customers and deliver the capabilities they need to succeed.

El Paso Field Services has worked closely with Burlington Resources and other producers in the San Juan basin over the last several months to develop a sound understanding of the impact that the proposed rules changes will have on the gathering and processing capacity needs in the basin. Our position is that our company is prepared to economically expand our gathering and processing capabilities in the San Juan basin to ensure that the incremental gas resulting from the proposed rules changes can be gathered, processed and transported to downstream markets. In fact, in part due to an effort to prepare for the possible rules changes, our company has already begun work to expand our Chaco cryogenic plant to significantly increase summertime processing capacity. In addition, we have performed studies and developed plans relating to further expansion of both our plant and field assets, and are prepared to move forward with these plans as production levels warrant.

As with all El Paso Field Services operations, any future system expansions will be performed in manners consistent with the highest environmental and personal safety standards. El Paso Energy has a long history of working closely with the New Mexico and San Juan basin community to ensure that inconveniences are minimized, while economic and social benefits are maximized through opportunities of this nature. Likewise, we remain confident that Burlington Resources will also continue to adhere to these same high environmental and personal safety standards, while providing enhanced opportunities for the entire San Juan basin community.

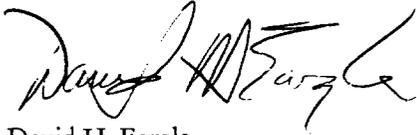
From El Paso's perspective, the increased production activities resulting from the proposed rules changes will have a favorable economic impact on the San Juan community, as well as our company, employees and shareholders. As part of El Paso Field Services' past expansion efforts, we have employed the services of numerous private and public entities ranging from pipeline and plant contractors to public utility providers. We are fully committed to continuing to partner with these and other New Mexico entities as we expand our capabilities in the future.

We also believe that Burlington Resources has done an thorough job of providing us and others with the information necessary to evaluate the impact of the proposed rules changes. We have worked closely with Burlington Resource's technical, production and commercial representatives to understand the various aspects and implications of the proposed rules changes. Throughout this process, we have found that Burlington Resources studies and conclusions have been performed and developed with high degrees of credibility, professionalism and integrity. Based upon our review of the information, our belief is that the proposed rules changes will be beneficial to the basin's producers.

October 22, 1998

In closing, and for the reasons outlined above, El Paso Field Services believes that approval of the proposed rules changes as drafted by Burlington Resources and attached herein will have a positive impact on the State of New Mexico, the public and private sector entities operating in and around the San Juan production area, and the San Juan basin community as a whole. We therefore support the proposed rules as drafted.

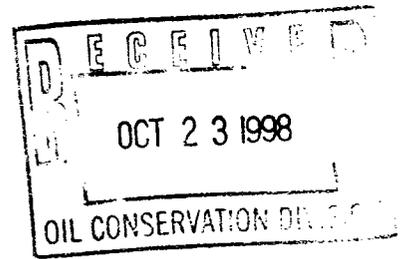
Sincerely,

A handwritten signature in black ink, appearing to read "David H. Eargle". The signature is fluid and cursive, with a prominent initial "D" and "E".

David H. Eargle  
Vice President, Commercial  
El Paso Field Services Company

cc: John Zent

Encl.



October 22, 1998

State of New Mexico  
Ms. Lori Wrotenbery  
Dir. – New Mexico Oil Conservation Division  
2040 So Pacheco  
Santa Fe, New Mexico 87505

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION FOR THE PURPOSE OF  
CONSIDERING:

CASE NO. 12069

APPLICATION OF

Burlington Resources Oil & Gas Company to increase the vertical limits, provide for notice requirements, establish administrative procedures, amend special Pool rule 2(b) and adopt new Special Pool rules 2(c) and 3 for the Blanco-Mesa Verde Gas Pool for purposes of increasing well density and changing well location requirements for Mesa Verde wells, Rio Arriba and San Juan Counties, New Mexico.

PRE-HEARING STATEMENT

Williams Energy Services (formerly Williams Field Services) as agent for Williams Gas Processing Company, Williams Gas Processing – Blanco and Williams Field Services Company (collectively “Williams”) files testimony in support of Burlington Resources Oil & Gas Company’s (“Burlington”) filing before the New Mexico Oil Conservation Division (“OCD”) to request an increase in vertical limits for the Blanco Mesa Verde Gas Pool and to increase the well density and/or well location requirements for the Mesa Verde wells located in Rio Arriba and San Juan Counties, New Mexico. Williams files this testimony as an interested and involved party whose interests cannot be represented by any other party.

Williams chooses to go on record in support of Burlington’s filing and encourages the OCD to expeditiously approve this request.

Williams performs gathering, processing and treating in the San Juan Basin under long term contracts for many producers. On a typical day Williams gathers and processes approximately 750 MMcfd of conventional wellhead gas production on its Ignacio, Kutz and Lybrook systems. Williams also gathers and treats in excess of 875 MMcfd of coal seam production on its Manzanares System.

Williams, and its predecessors, have invested hundreds of millions of dollars to develop systems and facilities to meet the need of the producers in the San Juan Basin for over forty years. The services provided include wellhead gathering lines, major trunk lines, compressor stations and dehydration, treating and processing facilities.

Through its many years of service to the producing community, Williams has developed the facilities necessary to meet production levels as the reserves have been developed. An example of Williams’

*ms.*

capability and desire to meet the producers needs, Williams began in 1990 to develop the Manzanares coal seam gas gathering and treating system. The initial production estimates were to peak at 350 MMcfd. The system was designed and built to meet this need. As the producers developed the reserves, it became clear that the volumes would exceed these initial estimates. Consequently, Williams, based on the producers' estimates for production, expanded the Manzanares System several times to meet the production. This system has grown to a capacity of nearly 1.1 Bcfd of gathering and treating capacity. With the coal seam volumes now on the decline, Williams continues to work with producers to lower the pressures on the system to optimize the production.

In the last two years on the Ignacio System alone, Williams has installed approximately forty (40) 778 miles of gathering system pipeline to loop various constrained areas of its gathering systems and has placed in service over thirty-four (34) thousand horsepower of new compression to reduce gathering system pressures. Additional looping and horsepower have also been installed on the Kutz, Lybrook and Manzanares systems.

Williams is currently expanding its Ignacio Plant complex from a capacity of 350 MMcfd to 450 MMcfd. This expansion will not only increase the plant capacity by 100 MMcfd but will also increase liquid recovery efficiency for ethane from approximately eighty (80) percent to ninety-three (93) percent. This expansion is to meet the needs of the increase production that is currently being developed.

Coal seam volumes in the San Juan Basin have peaked and are now declining. The natural gas infrastructure (gathering, treating and mainlines) that was developed to handle the large supply of coal seam gas will soon begin to have excess capacity. Coal seam gas declines are estimated to average in the seventeen (17) to twenty (20) percent range.

Development of new conventional gas reserves will fit nicely to help stem the decline of coal seam gas reserves. The approval of the Mesa Verde formation infill development will play a key roll in slowing the production decline that is occurring in the San Juan Basin.

Williams is willing to make economically justified investments to further expand its gathering and processing facilities to meet the production growth from this infill-drilling potential. Williams will work with the producers to put agreements in place to build the facilities as the producers develop gas.

Very truly yours,



Evan Hanson  
Manager – Commercial Operations



P. O. BOX 3235 • FARMINGTON, NEW MEXICO 87499

10-22-98

Ms Lori Wrotenbery, Director  
Oil Conservation Division  
2040 South Pacheco  
Santa Fe, New Mexico 87505

*Case 12069*

Re: Application of Burlington Resources Oil and Gas Company to increase vertical limits, provide notice requirements, establish administrative procedures and adopt Rule 2(c), Rule 3 and to amend Rule 2(b) of the Special Rules and Regulations for the Blanco Mesaverde Gas Pool for purposed of increasing well density and changing well location requirements for Mesaverde wells, Rio Arriba and San Juan Counties, New Mexico.

Dear Ms. Wrotenbery,

Cimarron Oilfield Service, Inc. is a roustabout company formed in 1982 in Farmington, N.M. In the past 16 years, Cimarron has grown to include not only fully integrated roustabout services, but also other services for the petroleum industry. We provide geologic, geophysical and environmental engineering services, including SDWA and NEPA environmental compliance to the petroleum industry. Cimarron also has sisters companies, Safety Alliance, Inc. and GeoScience Imaging, which deal with safety and archeology respectively. All of our companies combined employ approximately one hundred (100) employees in the San Juan Basin.

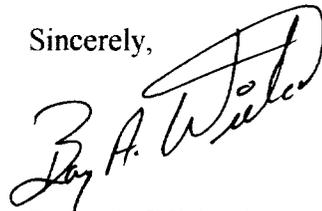
Cimarron Oilfield Service, Inc. has worked very closely with Burlington Resources over the years in all areas of the petroleum industry. Burlington Resources has proven itself to be a leader in the petroleum industry in New Mexico in safety programs and practices as well as their efforts to make everyone who does work for them more aware of their environment and the impact that the petroleum industry has on the environment. Great strides have been made in these areas in the San Juan Basin due to the examples and leadership of Burlington Resources. Their work in environmental education and

environmental compliance serves as a role model for the whole community. Their business practices and integrity exemplify what all company strives to achieve. Their credibility is beyond reproach.

Cimarron Oilfield Service supports the Application of Burlington Resources Oil and Gas Company to adopt Rule 2(c), Rule 3 and to amend Rule 2(b) of the Special Rules and Regulations for the blanco Mesaverde Gas Pool for purposes of increasing well density and changing well location requirements for Mesaverde wells, Rio Arriba and San Juan Counties, New Mexico as drafted. The long and short-term potential economic impact to San Juan County would be substantial. This proposition would provide new jobs for many people in the care and monitoring of these wells.

If you have any further questions regarding this matter, please contact me at (505) 327-5049.

Sincerely,

A handwritten signature in black ink, appearing to read "Barry A. Wieland". The signature is written in a cursive style with a large, stylized initial "B".

Barry A. Wieland  
President  
Chief Operations Officer

BAW/mh

PHONE: 334-6191  
FAX: 334-8729  
P.O. BOX 100



JERRY WAYNE SANDEL  
PRESIDENT

AZTEC, NEW MEXICO 87410

October 22, 1998

*Am 12069*

Ms. Lori Wrotenbery, Director  
Oil Conservation Division  
2040 South Pacheco  
Santa Fe, N.M. 87505

Dear Ms. Wrotenbery:

As an independent, locally owned New Mexico business, our company supports the application of Burlington Resources to increase the well density in the Blanco-Mesaverde Gas Pool.

We employ 350 people in San Juan County and our yearly revenues in New Mexico are approximately 26 million dollars. We are a drilling, well servicing, and trucking company. We are incorporated in New Mexico and we have been performing service in the San Juan Basin for 35 years.

The current downturn in the industry has an impact on our business and our ability to maintain jobs and New Mexico taxes. The Burlington Resources project will create work activity and help us maintain our work force and revenue base.

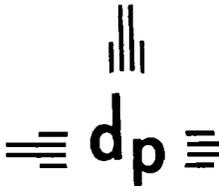
Burlington Resources is a very conscientious company in safety awareness and environmental protection. They have proven in the past that their projects take in their concern for the environment.

We strongly support the pending application and feel that it will create economic development, prevent waste of our natural resources, and provide the necessary environmental protection of our land use for future generations.

Sincerely Yours,

A handwritten signature in black ink that reads "Stewart Peterson". The signature is written in a cursive style with a prominent loop at the end of the last name.

Stewart Peterson  
Vice President



dugan production corp.

October 21, 1998

Ms. Lori Wrotenbery, Director  
New Mexico Oil Conservation Division  
2040 South Pacheco Street  
Santa Fe, NM 87505

23 000

Re: NMOCD Case 12069  
October 29, 1998  
Blanco Mesaverde Gas Pool

Dear Ms. Wrotenbery:

Dugan Production Corp. operates 12 wells in the subject pool and supports allowing a maximum of four wells per 320 acre GPU as proposed by Burlington Resources Oil & Gas. In addition, we support the rule changes proposed by Burlington with the following exceptions: A) Rule 2(b) establishes "Special Qualifying Areas" which are not contiguous and appear to selectively exclude small acreage parcels. We question the need for Special Qualifying Areas and if adopted, we believe the areas should be more contiguous; B) Rule 2(b)2 requires notice to operators offsetting the 1/4 section proposed for drilling on a density of 80 acres per well. If the drilling of optional infill wells is allowed by the pool rules, then we are opposed to offset operator notice prior to drilling any infill well. If offset operator notice is in fact required, then all operators offsetting the spacing unit should receive notice, not just the operators offsetting the quarter section being infill drilled; C) Rule 2(b)5, establishes an "approval criteria" for the Special Qualifying Area. We are opposed to the requirement of additional "approval criteria". If the pool rules allow infill drilling on a density of 80 acres/well, it should be the operator's decision as to whether or not sufficient reserves exist to justify the additional development; D) Rule 2(c)(1)(i) provides an outer boundary setback of 660'. We believe the setback should be 790'. Approximately 5000 wells have been drilled using a setback of 790' and to change the setback requirement at this time potentially sets up drainage conditions for many of the existing wells. New wells likely will have drilling, completion and stimulation advantages over wells drilled as much as 50 years ago and should not be allowed to also have a spacing advantage by being allowed to be located closer to the outer boundary of the spacing unit than wells drilled previously.

Please include our comments in the Division's consideration of this matter and as part of the official record in this case. Should you have questions, or need additional information, please let us know.

Sincerely,

Thomas A. Dugan  
President

TAD/JDR/tmf

cc: Burlington Resources - Tom Kellahin & Alan Alexander



## C F & M Oil Field Service, Incorporated

October 21, 1998

Ref: Letter of support for  
M.V. Infill Hearing on  
October 29, 1998

Ms. Lori Wrottenbery, Director  
Oil Conservation Division  
2040 South Pacheco  
Santa Fe, NM 87505

*Are 12069*

Ms. Wrottenbery,

CF&M Oil Field Service, Inc. expresses support for Burlington Resources Oil and Gas's application, to increase vertical limits, providing notice requirements, establish administrative procedures and adopt, Rule 2(c), Rules 3 and amend Rule 2(b) of the Special Rules and regulations for the Blanco Mesa Verde Gas Pool for purposes of increasing well density and changing well location requirements for Mesa Verde wells, Rio Arriba, and San Juan Counties, New Mexico.

We support the Rule changes as drafted, our Company was established in 1982 in specializes in the Oil and Gas industry as a construction contractor, providing the San Juan Basin Oil and Gas developers. With roads, well pads, installation of gathering lines, setting well surface equipment, and the construction of refineries and compressor stations.

Along with the major construction, we provide our customers with emergency service, confined entry crews and maintenance roustabout crews. In the past 16 years our company's growth, leveled off generating an average sales of 3.5 million to 5 million annually. We employ annually 70 to 100 people of which 45 are constant. We provide stable income for the families of the employees and by offering and providing Health Insurance, a comprehensive Safety Program, along with Safety incentives and Annual Bonuses.

The Burlington Resources plan if adopted would not only improve the Federal, County, and States, revenues but lends credibility to our companies cash flow 5 (five) year forecast. Of the 13 Oil and Gas producers we currently work for Burlington sales comprises 37% (thirty-seven) of our total sales. We do not anticipate any significant adverse deviation to this percentage. We are comfortable that our service to Burlington will remain satisfactory and there fore our working relationship remain consistent. We also can anticipate an increase in the residual sales. As the other Oil and Gas producer's participate from the adoption of this new plan. The Oil and Gas industry provides the majority of the lively hood of the NorthWest. We can see this plan positively impacting

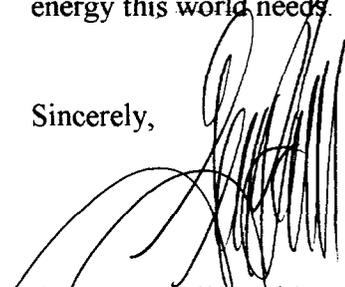
the over all economies of this region.

As a local community business calling San Juan County our home we are very concerned with the care and protection of our fragile environment. Our children, the next generation, have a right to experience the wonder of this Enchanted Land as we have. In the last 20 years we have worked hard at changing and learning how to gather the resources the world needs, with out ruining our environment in the process. We teach our children the importance of conservation and replenishment. Which brings to point. We have worked with Burlington Resources (formally Meridian Oil) since 1986. In these last 12 years, I have witnessed their willingness to protect this environment in there planning, exploration, gathering, and with extensive training of there personnel.

We have all heard some complain of the addition cost for caring for the environment. With Burlington we've never experienced that, we've never been questioned for invoices protecting our environment. A large percentage of the construction we do for them is all for that concern.

This history with them assures me and my company Burlington's conviction and Commitments to protect and improve the environment are as real as their abilities to find energy this world needs.

Sincerely,



Getty Foxwell/President  
CF&M Oil Field Service, Inc.

Cc: file  
cc: Mr. John Zent, Land Manager  
Burlington Resources San Juan Division  
P.O. Box 4289  
Farmington, NM 87499-4289



Case 12069

HALLIBURTON ENERGY SERVICES

4109 East Main Street / P.O. Box 960 / Farmington, New Mexico 87499-0960 / Tel: 505-324-3500 / Fax: 505-327-2534

October 21, 1998

Ms. Lori Wrotenbery, Director  
Oil Conservation Division  
2040 South Pacheco  
Santa Fe, New Mexico 87505

Re: Application of Burlington Resources Oil and Gas Company to increase vertical limits, provide notice requirements, establish administrative procedures and adopt Rule 2(c), Rule 3 and to amend Rule 2(b) of the Special Rules and Regulations for the Blanco Mesaverde Gas Pool for purposes of increasing well density and changing well location requirements for Mesaverde wells, Rio Arriba and San Juan Counties, New Mexico.

Dear Madam:

I would like to voice my support of the rule changes as drafted. Halliburton Energy Services provides a wide range of services to the oil and gas industry, including cementing services, stimulation services, wireline services, directional drilling, service tools, and completion equipment. The economic impact of the rule changes will be extremely beneficial to the Four Corners region of our state and to our employees who make their home here.

Halliburton Energy Services maintains over 300 service centers in over 100 countries. Currently Halliburton maintains three service centers in New Mexico: Artesia, Hobbs, and Farmington. Halliburton came to the San Juan Basin and opened its first facility in Farmington, New Mexico in 1949. In fact, we have been at our current location since 1956. At our facility in Farmington we employ 122 men and women whose livelihood is directly tied to the drilling and workover activity levels of the San Juan Basin. Approximately 45% of our revenues in Farmington are generated by services that we perform for Burlington Resources in the San Juan Basin. By adopting the rule changes, a forecasted 400+ additional projects will become available to Burlington. The financial importance of these changes is tremendous not only for Halliburton as a company, but to our employees as individuals.

I feel that Burlington's safety and environmental awareness has consistently been high. Burlington meets regularly with their vendors to discuss safety issues, safety requirements, and to share "best practices." I am confident that Burlington will both minimize and remedy any disturbance to our public lands. In the four years that I have personally worked with Burlington Resources, they have always dealt with Halliburton with the highest degree of integrity and I feel they are a responsible company.

Sincerely,

A handwritten signature in black ink that reads 'John D. Baker'. The signature is fluid and cursive, with a large loop at the end of the last name.

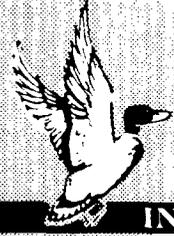
John D. Baker  
Technical Advisor

12069

+

ACT 22 1998

**J. A. Drake**



**WELL SERVICE INC.**

TELEPHONE: (505) 327-7301 • P.O. DRAWER 538 • FARMINGTON, NM 87499  
October 19, 1998

*m.s.*

Oil Conservation Division  
2040 South Pacheco  
Santa Fe, NM 87505

Attention: Ms. Lori Wrotenbery, Director

Reference: Reduced Well Spacing Application Submitted by Burlington Resources Oil & Gas

Dear Ms. Wrotenbery:

J. A. Drake Well Service Inc. supports the proposed reduced well spacing application submitted by Burlington Resources Oil & Gas 100%.

J. A. Drake Well Service is a local, family owned business, started in 1963 to service the San Juan Basin. We have a total of seven rigs in our fleet, and we employ approximately 86 people when all the rigs are working. Our company specializes in cavitation work, workovers of older wells, and new well completions. Our work operations at the present time are concentrated in the San Juan Basin only. We have also worked in other areas for all the major oil companies, as well as independents.

J. A. Drake Well Service depends on companies like Burlington Resources Oil & Gas for our existence. Without companies like them and their operations in the basin, companies like ours would cease to be around. This proposed rule change in well spacing would mean that Burlington Resources Oil & Gas would do more work in this area, and in return it would mean more steady employment for companies like ours.

We feel Burlington's safety and environmental program is beyond reproach in every aspect. We have patterned our program after theirs. We feel that if all companies operating in the San Juan Basing patterned their policies after Burlington, that there would be a lot less problems in the oil and gas field.

Burlington Resources Oil & Gas is a credit to this community in all that it does, not just for businesses, but for individuals as well.

Sincerely,

Greg Drake  
Vice President

12064

**L & L OILFIELD SERVICE, INC.  
P.O. BOX 1486  
FARMINGTON, NEW MEXICO 87499**

*M.S.*

October 19, 1998

**Ms. Lori Wrotenbery, Director  
Oil Conservation Division  
2040 South Pacheco  
Santa Fe, New Mexico 87505**

122

**Dear Ms. Wrotenbery:**

**I am writing this letter in support of Burlington Resources application to increase vertical limits, provide notice requirements, establish procedures and adopt Rule 2(c), Rule 3 and to amend Rule 2(b) of the Special Rules and Regulations for the Blanco Mesaverde Gas Pool for purposes of increasing well density and changing well location requirements for Mesaverde wells, Rio Arriba and San Juan Counties, New Mexico.**

**L & L Oilfield Service, Inc. has been doing business in the Four Corners area for more than twenty years. We are a stable business and are always looking for the opportunity to grow and expand. We currently employ fifty employees and generate more than two million dollars of revenue annually.**

**Our primary function is service work. We set production equipment from well head and pipe lines and we are currently expanding into other areas, such as gravel hauling, well testing and excavation work.**

**Our companies strongly feel that the proposed rule changes will have a positive affect on our operation as well as many other companies in the San Juan Basin. We feel we will be able to expand even more and will be able to increase our employment force by hiring more employees. As other companies also grow as a result of the approval of Burlington's application it will have significant impact on the unemployed in our area and the increased revenue from the expansion will have a considerable economic impact in our community and the state.**

**We have been doing business with Burlington Resources Oil and Gas Company on a daily basis for more than ten years and we greatly appreciate Burlington's concerns for safety and the environment. Burlington works with us daily to insure our work is within their**

**safety guide line policies related to workplace safety and environmental awareness.**

**In our personal experience Burlington's credibility and integrity cannot be surpassed. They have a commitment to the community and have just recently donated their office buildings, which have a considerable value, to San Juan College. They are involved in ongoing education, youth activities, and sponsor many projects that benefit not only groups but individuals as well.**

**Thank you for your time and consideration.**

**Yours truly,**

A handwritten signature in cursive script, appearing to read "Bill Garrison". The signature is written in black ink and is positioned above the printed name.

**Bill Garrison**

# L & R OILFIELD SERVICE

519 E. Animas  
Farmington, NM 87401  
(505) 325-1922

12069

October 19, 1998

Ms. Lori Wrotenbery, Director  
Oil Conservation Division  
2040 South Pacheco  
Santa Fe, NM 87505

*So noted!  
LWS.*

RE: Application of Burlington Resources Oil & Gas Co. for  
proposed rule changes.

Dear Ms. Wrotenbery:

Our company wishes to express our support of the rule change as drafted in the application of Burlington Oil & Gas Company. Our company currently does facility settings and anchor setting for Burlington. We operate six roustabout trucks and one anchor truck full time. We currently employ 30 full time people and have worked in the San Juan Basin for 25 years. Our working relationship with Burlington Resources has an economic impact for our company of over 1.4 million per year in gross income.

We feel that Burlington Resources' safety policy and procedures and their environmental awareness is top rated in the oil and gas industry.

They are also a major contributor to the community by their support and donations to community projects such as United Way and San Juan College. They have shown their integrity by being committed to the area they not only work in but live in as well.

We support their application for the rule changes affecting Rio Arriba and San Juan Counties.

Sincerely,

*LARRY STARKEY*

Larry Starkey  
President

LS/lw

cc: Burlington Oil & Gas Co.  
Attn: Mr. John Zent, Land Manager



## Process Equipment & Service Company, Inc.

5680 U.S. HIGHWAY 64 • 87401 / P.O. BOX 929 • 87499  
FARMINGTON, NEW MEXICO  
PHONE: (505) 327-2222 • FAX: (505) 327-7550

RE 10/20/98

October 16, 1998

Ms. Lori Wrotenbery, Director  
Oil Conservation Division  
2040 South Pacheco  
Santa Fe, New Mexico 87505

Subject: Application of Burlington Resources Oil and Gas Company to increase vertical limits, provide notice requirements, establish administrative procedures and adopt Rule 2(c), Rule 3 and to amend Rule 2(b) of the Special Rules and Regulations for the Blanco Mesaverde Gas Pool for purposes of increasing well density and changing well location requirements for Mesaverde wells, Rio Arriba and San Juan Counties, New Mexico.

Dear Ms. Wrotenbery,

Process Equipment & Service Company, Inc. (PESCO) enthusiastically supports the above subject rule changes as drafted by Burlington Resources Oil and Gas Company.

PESCO manufactures oil and natural gas field production equipment for sale to customers throughout the Rocky Mountain Region of the United States, Canada, Mexico, Central America, and South America.

PESCO began operations here in Farmington, New Mexico in June 1970 with total employment of two people. We have grown to a company with current employment of over 130 people (all but two of those being in Farmington), annual revenues of over \$14,000,000 and an annual payroll of over \$4,000,000.

Our first and primary customer was El Paso Exploration Company, the predecessor to Burlington Resources. Throughout the last 28 years, Burlington and its' predecessors has remained an integral part of the growth and success of PESCO. Burlington has supplied financial stability and security not only to PESCO, but many companies in this area due to their high degree of ethics, integrity, technical knowledge, and commitment to the San Juan Basin.

**Page 2:**

With the approval of infill rule changes as requested by Burlington Resources, it will provide the long term financial stability to allow PESCO to continue to expand marketing territories throughout the world. We are currently planning to increase manufacturing capabilities by 20% to 30% to meet product demand. Obviously this will increase employment, revenue, and ultimately revenues to the state of New Mexico.

We strongly urge you to approve the requested rule changes for the long-term economic benefit of the people that live and work in the San Juan Basin. Please also consider the economic benefit to all the people of New Mexico.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read 'Kyle K. Rhodes', written in a cursive style.

Kyle K. Rhodes  
Vice President  
Process Equipment & Service Company, Inc.

Copy: Mr. John Zent, Land Manager  
Burlington Resources San Juan Division  
P.O. Box 4289  
Farmington, New Mexico 87499-4289

# DAWN TRUCKING CO.

P.O. BOX 1498  
FARMINGTON, NEW MEXICO 87499  
(505) 327-6314

12069

October 15, 1998

Ms. Lori Wrotenbery, Director  
New Mexico Oil Conservation Division  
2040 South Pacheco  
Santa Fe, NM 87505

*So noted.  
M.S.*

RE: Application of Burlington Resources Oil and Gas Company to increase vertical limits, provide notice requirements, establish administrative procedures and adopt Rule 2(c), Rule 3 and to amend Rule 2(b) of the Special Rules and Regulations for the Blanco Mesa Verde Gas Pool for purposes of increasing well density and changing well location requirements for Mesa Verde wells in Rio Arriba and San Juan Counties, New Mexico.

Dear Ms. Wrotenbery,

Dawn Trucking Company, a New Mexico Corporation since 1974, wholeheartedly supports the rule changes that Burlington Resources has drafted and applied for.

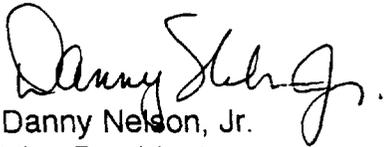
Dawn Trucking currently employs approximately 130 persons in New Mexico with annual payroll in excess of \$4,500,000. Dawn is primarily a carrier of oil and gas industry equipment, materials and supplies. This includes moving rig components, tanks, pipe and water as well as production equipment. Dawn is located in Farmington, New Mexico and has satellite operations in Lindrith, New Mexico and Ignacio, Colorado. The focus of Dawn's business is in the San Juan Basin.

The economic implications of Burlington's proposal are significant to Dawn Trucking as well as to our community and the State of New Mexico. Dawn could realize an increase in business of approximately 20%. It is our understanding that royalties and tax revenues to various governmental agencies from Burlington's increased activities could approach \$400,000,000. The resulting activity of other operators may possibly double this number. The end result of these dollars would certainly have the effect of making New Mexico better place to live.

Burlington Resources is one of the best neighbors in the San Juan Basin community. Dawn Trucking values Burlington's presence. They are industry leaders in safety and environmental awareness.

Thank you for your consideration.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Danny Nelson, Jr.", written in a cursive style.

Danny Nelson, Jr.  
Vice President

pc: Mr. John Zent  
Burlington Resources San Juan Division  
P. O. Box 4289  
Farmington, NM 87499-4289

GENEVIEVE H. SINCLAIR LIVING TRUST  
GENEVIEVE H. SINCLAIR, TRUSTEE

October 13, 1998

*Case 12069*

New Mexico Oil Conservation Division  
2040 South Pacheco  
Santa Fe, New Mexico

RE: HEARING 10/28/98, 8:15 A.M.

APPLICATION OF BURLINGTON RESOURCES OIL AND GAS COMPANY TO INCREASE VERTICAL LIMITS, PROVIDE NOTICE REQUIREMENTS, ESTABLISH ADMINISTRATIVE PROCEDURES AND ADOPT RULE 2(c), RULE 3, AND TO AMEND RULE 2(b) OF THE SPECIAL RULES AND REGULATIONS FOR THE BLANCO MESA VERDE GAS POOL FOR PURPOSES OF INCREASING WELL DENSITY AND CHANGING WELL LOCATION REQUIREMENTS FOR MESA VERDE WELLS, RIO ARRIBA AND SAN JUAN COUNTIES, NEW MEXICO.

The purpose of this letter is to make a timely appearance in the above referenced matter in order to preserve the rights of the Genevieve H. Sinclair Living Trust, ("Trust"), to appear and assert opposition at a later time after I have had an opportunity to assess the impact of the application of Burlington Resources Oil and Gas Company on the Trust's holdings.

The Trust owns the royalty interest in the parcels listed on the attached schedule.

GENEVIEVE H. SINCLAIR LIVING TRUST

*MS*

*Genevieve H. Sinclair*

\_\_\_\_\_  
Genevieve H. Sinclair, Trustee

New Mexico Oil Conservation Division  
October 13, 1998  
Page 2

RE: Hearing 10/28/98, 8:15 A.M.  
Genevieve H. Sinclair Living Trust

Legal Description of Trust's holdings:

SAN JUAN COUNTY, NEW MEXICO.

EAST 10 ACRES OF NORTHEAST QUARTER OF SOUTHEAST QUARTER OF SECTION 5,  
TOWNSHIP 29 NORTH, RANGE 9 WEST.

A STRIP 300 FEET WIDE LYING ON WEST SIDE OF WEST ONE-HALF OF SOUTHWEST  
QUARTER OF SECTION 4, TOWNSHIP 29 NORTH, RANGE 9 WEST.

Further described as:

TOWNSHIP 29 NORTH, RANGE 09 WEST, N.M.P.M.

SECTION 05:S/2  
CONTAINING 320.00 ACRES, MORE OR LESS. SAN JUAN, NEW MEXICO,  
SANTA ROSA 29-9-5 #2 WELL  
FRUITLAND (Coal Gas) FORMATION

GENEVIEVE H. SINCLAIR LIVING TRUST  
GENEVIEVE H. SINCLAIR, TRUSTEE

October 13, 1998

New Mexico Oil Conservation Division  
2040 South Pacheco  
Santa Fe, New Mexico

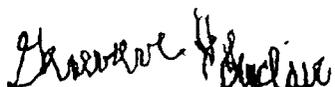
RE: HEARING 10/28/98, 8:15 A.M.

APPLICATION OF BURLINGTON RESOURCES OIL AND GAS COMPANY TO INCREASE VERTICAL LIMITS, PROVIDE NOTICE REQUIREMENTS, ESTABLISH ADMINISTRATIVE PROCEDURES AND ADOPT RULE 2(c), RULE 3, AND TO AMEND RULE 2(b) OF THE SPECIAL RULES AND REGULATIONS FOR THE BLANCO MESA VERDE GAS POOL FOR PURPOSES OF INCREASING WELL DENSITY AND CHANGING WELL LOCATION REQUIREMENTS FOR MESA VERDO WELLS, RIO ARRIBA AND SAN JUAN COUNTIES, NEW MEXICO.

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The Trust owns the royalty interest in the parcels listed on the attached schedule.

GENEVIEVE H. SINCLAIR LIVING TRUST



Genevieve H. Sinclair, Trustee

Genevieve H. Sinclair Living Trust  
Genevieve H. Sinclair, Trustee  
333 Old Mill Road, Space 303  
Santa Barbara, CA 93111  
(805) 964-8565

Genevieve H. Sinclair  
333 Old Mill Road, Space 303, Santa Barbara, CA 93111

(805) 964-8565

**FACSIMILE TRANSMISSION MEMORANDUM**

**CONFIDENTIALITY NOTE**

The information contained in this facsimile message is legally privileged and confidential information intended only for the use of the individual or entity named below. If the reader of this message is not the intended recipient, you are hereby notified that any dissemination, distribution or copy of this facsimile is strictly prohibited. If you have received this facsimile in error, please notify us immediately by telephone and return the original message to us at the address above via the United States Postal Service. Thank you.

You should have received 3 page(s), including this memorandum. Please call (805) 688-3371 if you did not receive all pages.

DATE: October 14, 1998

TIME:

TO: New Mexico Oil Conservation Division  
Legal Bureau

FROM: Genevieve H. Sinclair

RE: Hearing 10/28/98, 8:15 A.M.

APPLICATION OF BURLINGTON RESOURCES OIL AND GAS COMPANY TO INCREASE VERTICAL LIMITS, PROVIDE NOTICE REQUIREMENTS, ESTABLISH ADMINISTRATIVE PROCEDURES AND ADOPT RULE 2(c), RULE 3, AND TO AMEND RULE 2(b) OF THE SPECIAL RULES AND REGULATIONS FOR THE BLANCO MESA VERDE GAS POOL FOR PURPOSES OF INCREASING WELL DENSITY AND CHANGING WELL LOCATION REQUIREMENTS FOR MESA VERDE WELLS, RIO ARRIBA AND SAN JUAN COUNTIES, NEW MEXICO / The Genevieve H. Sinclair Living Trust

#

New Mexico Oil Conservation Division  
October 13, 1998  
Page 2

RE: Hearing 10/28/98, 8:15 A.M.  
Genevieve H. Sinclair Living Trust

Legal Description of Trust's holdings:

SAN JUAN COUNTY, NEW MEXICO.

EAST 10 ACRES OF NORTHEAST QUARTER OF SOUTHEAST QUARTER OF SECTION 5,  
TOWNSHIP 29 NORTH, RANGE 9 WEST.

A STRIP 300 FEET WIDE LYING ON WEST SIDE OF WEST ONE-HALF OF SOUTHWEST  
QUARTER OF SECTION 4, TOWNSHIP 29 NORTH, RANGE 9 WEST.

Further described as:

TOWNSHIP 29 NORTH, RANGE 09 WEST, N.M.P.M.

SECTION 05.S/2  
CONTAINING 320.00 ACRES, MORE OR LESS. SAN JUAN, NEW MEXICO,  
SANTA ROSA 29-9-5 #2 WELL  
FRUITLAND (Coal Gas) FORMATION

**SALLY MONTOYA  
2605 West Main Street  
Farmington, New Mexico 87401**

*Case 12069*

**October 9, 1998**

**N. THOMAS KELLAHIN, ESQ.  
KELLAHIN & KELLAHIN,  
El Patio Building  
117 N. Guadalupe  
Post Office Box 2265  
Santa Fe, New Mexico 87504-2265**

*MS*

and

**New Mexico Oil & Gas Conservation Division  
Energy , Minerals & Natural Resources Dept.  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505**

**Re: Pre-Hearing Statement**

**Greetings Gentlemen:**

**This letter notifies the NMOGD and Mr. W. Thomas Kellahin, the attorney for Burlington that the following share holders in applicable royalties are affected by Burlington's Application to improve well performance:**

- 1. Mary Perea**
- 2. Delfine Sanchez**
- 3. Willie Sanchez**
- 4. Mary L. Waldron**
- 5. Sally Montoya**
- 6. Ben Sanchez**
- 7. Henry Sanchez**

**Each one of the above has an equal share in the royalties in the wells identified in Burlington's Application, which equals 1/7 of 3/4 of 1/2 of 1/8 of 43/320. The discrepancy exists from as early as 1986. Some shareholders have received and continue to receive check payments whose amounts differ significantly from others..**

Said persons challenge Burlington's standing to submit an application to NMOGD for an administrative adjudication while it has an outstanding indebtedness to some of those named above.

Accordingly, said persons aver that Burlington should not be given standing before the NMOGD for its Application until it has satisfied its indebtedness to them in cash money, due and owing.

Please be advised that those shareholders named herein will attend the Hearing and participate to oppose the said application until Burlington satisfies its financial obligation to them.

cc: Each Shareholder Named

Sincerely,

*Sally Montoya*

*MS*



United States Department of the Interior

BUREAU OF RECLAMATION

Upper Colorado Region  
Western Colorado Area Office

Blanco/MV

SEP 28 1998

Northern Division  
2764 Compass Drive  
PO Box 60340  
Grand Junction CO 81506-8785

Southern Division  
835 E 2nd Avenue  
PO Box 640  
Durango CO 81302-0640

WCS-Jmartin  
LND-6.00

RECEIVED  
SEP 28 1998  
OIL CON. DIV.  
DIST. 3

Mr. Ernie Busch  
New Mexico Energy, Minerals  
& Natural Resources Department  
Oil Conservation Division  
1000 Rio Brazos Road  
Aztec NM 87410

Subject: Comments on Proposed Rule Changes for Blanco Mesa Verde Pool Well Density,  
Navajo Unit, Colorado River Storage Project, New Mexico

Dear Mr. Busch:

Thank you for the opportunity to participate at the September 16, 1998, meeting to express our concerns on Burlington Resource's proposal to amend the Special Rules and Regulations for the Blanco Mesa Verde Gas Pool. Changing well densities is of great concern to us and our managing entity, New Mexico State Park and Recreation Division. Since the increase of Fruitland Formation wells in the late 1980s, natural resources in and around Navajo Reservoir have been significantly impacted. The increase in well drilling and associated maintenance activities have resulted in more roads, pipelines, visual and aesthetic impacts, environmental/surface disturbances and increased public safety issues due to added activities.

Below is a list of our areas of concerns:

1. **Structural Integrity:** Our primary concern is for the structural integrity of Navajo Dam and all tunnels, canals, aqueducts, pipelines, laterals, drains, transmission lines, and roadways under the administration or jurisdiction of the Bureau of Reclamation. Drilling, gas production, production water disposal, and any related seismic activity cannot be allowed to effect the integrity of these structures.
2. **Production Water Disposal and Quality:** We are concerned with the effects disposal of production water might have on the quality of water stored in Navajo Reservoir.

3. **Public Access:** Oil and gas development in the Navajo Reservoir Area effects the law enforcement capabilities of New Mexico Park and Recreation Division and the New Mexico Department of Game and Fish. At a time when their budgets and staff are restricted, each new road creates additional impacts concerning public safety and liability.
4. **Well Pads, Pipelines, and Road Impacts:** Our major concern with these features are the continuing loss of native vegetation, soil erosion and potential increase of invasive and noxious weeds. The rehabilitation of these locations in the past has been unsuccessful, mainly because of the arid climate. Erosion increases sedimentation and salinity to water tributaries and reservoirs.
5. **Aesthetic, Visual and Noise Impacts:** Assessing and mitigating aesthetic impacts such as visual and noise intrusions are important factors to our surface management. Noise pollution from additional compressors and increased vehicular traffic is a direct impact from the growth of oil and gas development.
6. **Indian Trusts Assets:** What research have the gas companies done in regards to determining whether any trust assets held by Indian Tribes would be affected by the proposed rule?
7. **Impacts to Developed Recreation Areas:** How would evaluation of any impacts to established recreation areas be mitigated?
8. **Wildlife Habitat:** What are the long-term effects on wildlife habitat, particularly to big game such as elk and deer?

Because of the above concerns, we ask that the following sections be designated as areas of critical concern and the well spacing remain at two wells per 320 acres.

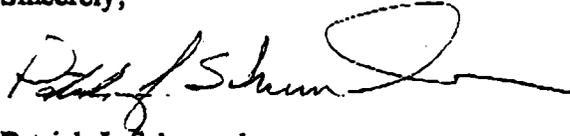
- A. **Developed Recreation Area:** Township 30 North, Range 7 West, N.M.P.M., Section 7, NE1/4 of Section 8, and NW1/4 of 18: Safety of Navajo Dam: Section 18 and Section 19.
- B. **Safety of Navajo Dam, Reclamation facilities, wetlands, and developed and undeveloped public recreation:** Township 30 North, Range 8 West, N.M.P.M., Section 13:

Even though our authority to control surface uses is limited to what is 'necessary and proper' per Reclamation's congressional mandate, the federal government is charged with the responsibility to properly manage our resources. To assist us in identifying those issues and concerns relative to Reclamation's mission, a Resource Management Plan (RMP) for the Navajo Reservoir Area is currently being prepared. The RMP will address impacts associated

with oil and gas development, and will also prescribe management standards and address other resource concerns and issues under our jurisdiction.

Department of Interior's Solicitor, Martha Franks, will be representing us at the official hearing on October 28, 1998 in Santa Fe, New Mexico. If you have any questions, please contact Judy Martin at (970) 385-6522.

Sincerely,



Patrick J. Schumacher  
Southern Division Manager

cc: Bureau of Land Management  
Farmington Resource Area  
1235 La Plata Highway  
Farmington New Mexico 87401

New Mexico State Park and Recreation Division  
1448 NM 511 #1  
Navajo Dam NM 87419

Mr. John Zent, C.P.L.  
Land Manager  
Burlington Resources  
San Juan Division  
PO Box 4289  
Farmington NM 87499-4289

# COOPERATIVE AGREEMENT FOR THE PROTECTION OF ENVIRONMENTAL RESOURCES AND ENERGY DEVELOPMENT

## I. INTRODUCTION

This agreement establishes a commitment between all signatory entities to protect sensitive surface resources while allowing for the development of important energy resources. A coordinated approach to energy development and public use within the San Juan Basin through interagency and industry cooperation is essential due to the intensity of energy development and the importance of all resources. Established in this document are the resource concerns of all participating entities. These concerns have been balanced with existing and potential energy development to establish areas requiring special management and specific mitigating measures.

Planned energy development which protects sensitive surface resources and allows for timely oil and gas recovery, is essential within the San Juan Basin. It is the intent of this agreement to benefit the resources managed by all agencies and industry through this coordinated planning approach.

The purpose of the agreement is to consolidate under one master document the environmental concerns and mitigating measures of land managing agencies and to provide an opportunity for operators to participate in the process. Recommendations made in this agreement are based on approved land-use plans and standard operating practices that have been in existence for many years.

This agreement recognizes the statutory mandates of both Federal and State involved and that each agency must continue to manage their respective program to comply with the statutes and regulations promulgated under them.

This agreement includes resources management goals, special management areas and associated mitigating measures. Section II identifies management goals, specific recommendations, and mitigating measures applicable to the New Mexico portion of the San Juan Basin and all agencies concerned. Implementation of these stipulations will maintain energy development while managing for established surface resource management goals. Each land management agency will be responsible for implementing and supporting this agreement within their respective areas of responsibility.

Appendix 1 describes management goals, specific recommendations and mitigating measures by unit. Modification of standard mineral development procedures is recommended in some cases. The achievement of management goals represents a multi-resource approach to planned energy development within each Unit. Mitigating measures approved by industry and the signatory agencies represent the commitment to these management goals. These measures will provide specific guidance for existing and future energy development in the designated areas.

## II. SAN JUAN BASIN MANAGEMENT GOALS AND DIRECTIVES

### A. Management Goals for Resource Protection in the San Juan Basin of New Mexico.

Given that the San Juan Basin contains vast amounts of gas resources and this is an important national resource, the following management guidelines apply:

1. Subject to valid existing rights, implement land use management planning decisions in accordance with agency guidelines.

2. Participating agencies recognize that there are conflicts between resource uses in the San Juan Basin and that a balance between resource uses needs to be developed. Balance is achieved by the application of professional science to intrinsic and extrinsic resource values determined by legislation, economics, short term and long term human needs, resource management policies, and binding contracts. Resource managers accept that in balancing resource use not all resources may be used or developed to their full potential within desirable time limits.
3. Changes in surface resource use and importance, as well as improvement in development and reclamation technologies may eventually allow additional development in areas currently listed as sensitive or presently have seasonal closures. Modifications will be evaluated based on land management agency monitoring studies as necessary.
4. Areas containing sensitive surface resources will be developed with the least amount of resource damage possible.
5. New development should be designed to minimize habitat fragmentation and cumulative impacts to the greatest extent possible. New disturbance should be kept to a minimum and associated with existing disturbance where possible.
6. Resource values to be protected include: (listed alphabetically)
  - a. Cultural Resources
  - b. Developed Recreation Areas
  - c. Natural Gas and Oil
  - d. Recreation Opportunities
  - e. Structural Integrity of Navajo Dam and Appurtenant Structures.
  - f. Threatened and Endangered Species
  - g. Timber
  - h. Water Quality of Ground Water, Lakes, Rivers and Associated Tributaries
  - i. Waterfowl, Migratory Fowl and Sensitive Wildlife Habitat
  - j. Wetlands/Riparian Areas
7. A road management plan for lands within the San Juan Basin shall be developed along with the necessary land-use plans. This plan shall be developed with all necessary public input.
8. Ground water contamination is a concern with all involved agencies. Presently, this issue is beyond the scope of this document and it is the recommendation that an additional group be developed to address this issue.
9. Work cooperatively with industry to determine volumes of oil and gas within sensitive areas.
10. On an annual basis meeting with industry and agency personnel to evaluate procedures and concerns.

## B. Specific Recommendations and Mitigating Measures

1. To protect resources in areas of special concern; no surface disturbance or no additional surface disturbance may be indicated (SMA's and ACEC's).
2. Make every effort to locate new facilities outside of special areas by considering feasibility of directional drilling, unorthodox locations, and rerouting of pipelines and powerlines.
3. "Twin" new well locations by considering options of directional drilling, unorthodox locations, recompletions, multiple completions and centralized locations for multiple wells where at all possible. Utilize existing roads and pipeline corridors where possible.
4. Require unit operators to submit and follow a master plan of development, which includes considerations for sensitive environmental resources and encouraged to prepare more comprehensive long term plans covering 3 to 5 years.
5. Encourage operator to unitize in areas of heavy development that are not presently unitized to increase management efficiency and facilitate operations in sensitive areas.
6. Planning/approval of wells in non-standard and/or unorthodox locations should become more acceptable by NMOCD and operators through coordinated resource planning outlined in this document.
7. Wildlife monitoring and studies, as well as off-site mitigation and/or habitat replacement may be indicated in conjunction with development in crucial areas. Some of the potential mitigative measures are outlined in the existing Cooperative Agreement for the Mitigation and Enhancement of Wildlife Habitat in the Farmington Resource Area, other measures will be developed as need. Proposals for mitigation will be mutually developed by the land management agency and energy company involved.
8. Minimize impacts of development by continuing and expanding existing stipulations including (but not limited to):
  - a. Road closures
  - b. Seasonal closures
  - c. Project planning by operators to minimize disturbance degree, extent and time
  - d. Reduction in visual impacts
  - e. Reduction in noise levels
  - f. Rehabilitation/reclamation of all areas not needed for production.

## III. RECOMMENDATION AND MITIGATING MEASURES BY OPERATING UNIT

Text of these mitigating measures are contained in Appendix 1.

IV. SIGNATURE PAGE

As stated in the introduction, this agreement establishes a voluntary commitment by its signatures recognizing development of oil and gas resources within the San Juan Basin in a coordinated manner with the land and wildlife managing agencies mandates. It is also recognized that to achieve the goals and directives identified under Part III of this agreement it will be necessary to adhere to the recommendations and managing measures identified herein. The agreement will become effective upon signature for respective agency with addition of other approval signatures as necessary.

Government (Approved)

Sam L. Woodard 10-7-91  
Bureau of Land Management Date

W. Paul Evans 10/7/91  
New Mexico Game & Fish Date

Philip R. Sutter 10/7/91  
Carson National Forest Date  
Jicarilla Ranger Dist.

John H. King 10/7/91  
NM Oil Cons. Division Date

Jim Baca 10/7/91  
NM State Land Office Date

A. Carracas Canyon Unit

Mitigation Measures

1, 2, 3, 4, 5, 7, 8, 10, 11, 13, 14, 15, 16, 17, 22, 23, 24,29.

B. San Juan 32-5 Unit

Mitigation Measures

1, 2, 3, 4, 5, 8, 9, 11, 13, 14, 15, 16, 17, 20, 22, 23, 24,29.

C. Allison Unit

Mitigation Measures

4, 5, 8, 9, 12, 13, 14, 15, 16, 17, 19, 20, 23,29.

D. San Juan 32-7

Mitigation Measures

1A, 2, 3, 4, 5, 8, 9, 12, 13, 14, 14, 15, 16, 17, 19, 20, 23, 25, 26, 29.

E. San Juan 32-8 Unit

Mitigation Measures

4, 5, 8, 12, 13, 14, 15, 16, 17, 23, 25, 26, 27,29.

F. San Juan 32-9 Unit

Mitigation Measures

1A, 2, 4, 5, 8, 12, 13, 14, 15, 16, 17, 23,29.

G. Rosa Unit

Mitigation Measures

1, 2, 3, 4, 5, 8, 9, 10, 11, 13, 14, 15, 16, 17, 19,20, 22, 23, 24,29.

H. San Juan 31-6

Mitigation Measures

1A, 2, 3, 4, 5, 8, 9, 12, 13, 14, 15, 16, 17, 19, 20, 23,29.

I. Northeast Blanco Unit

Mitigation Measures

1A, 2, 3, 4, 5, 8, 9, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 28,29.

J. San Juan 30-4 Unit

Mitigation Measures

1, 2, 3, 4, 5, 8, 10, 11, 13, 14, 15, 16, 17, 23,29.

K. San Juan 30-5 Unit

Mitigation Measures

1, 2, 3, 4, 5, 8, 10, 11, 13, 14, 15, 16, 17, 23,29.

L. San Juan 30-6 Unit

Mitigation Measures

1A, 2, 3, 4, 5, 8, 9, 12, 13, 14, 15, 16, 17, 19, 23, 20,20.

M. San Juan 29-4 Unit

Mitigation Measures

1, 2, 3, 4, 5, 8, 10, 11, 13, 14, 15, 16, 17, 23,29

N. San Juan 29-5 Unit

Mitigation Measures

1, 2, 3, 4, 5, 8, 10, 11, 13, 14, 15, 16, 17, 23,29.

O. San Juan 29-6 Unit

Mitigation Measures

4, 5, 8, 12, 13, 14, 15, 16, 17, 23,29.

P. San Juan 29-7

Mitigation Measures

4, 8, 12, 13, 14, 15, 16, 17, 23,29.

Q. Valencia Canyon Unit

Mitigation Measures

4, 5, 8, 10, 11, 13, 14, 15, 16, 17, 23,29.

R. San Juan 28-4 Unit

Mitigation Measures

1, 2, 3, 4, 5, 8, 10, 11, 13, 14, 15, 16, 17, 23,29.

S. San Juan 28-5 Unit

Mitigation Measures

4, 5, 8, 12, 13, 14, 15, 16, 17, 23,29.

T. San Juan 28-6 Unit

Mitigation Measures

4, 6, 8, 12, 13, 14, 15, 16, 17, 23,29.

U. San Juan 28-7 Unit

Mitigation Measures

4, 6, 8, 12, 13, 14, 15, 16, 17, 23,29.

V. San Juan 27-4 Unit

Mitigation Measures

1, 2, 3, 4, 5, 8, 10, 11, 13, 14, 15, 16, 17, 23,29.

W. San Juan 27-4 Unit

Mitigation Measures

1, 2, 3, 4, 5, 8, 10, 11, 13, 14, 15, 16, 17, 23,29.

X. Rincon Unit

Mitigation Measures

4, 6, 8, 12, 13, 14, 15, 16, 17, 23,29.

## APPENDIX 1

### MITIGATION MEASURES

1. No surface disturbance shall be permitted in bald eagle essential habitat (core areas, see map). For locations on the Carson National Forest, consult the District Biologist. This is a year long stipulation.
2. No construction activities shall be conducted between November 1 to March 31 in bald eagle buffer zones, unless approved on a case-by-case basis.
3. Areas of potential suitable habitat for bald eagle will be inventoried prior to approval of any action. This area shall include a one-half mile strip around Navajo Lake. If the presence of a bald eagle is confirmed, restrictions on development will be imposed and actions may be authorized on a case-by-case basis. USF&WS and affected agency shall be involved in Section 7 consultation, if necessary.
4. All proposed actions within unsurveyed suitable habitat for any proposed threatened/endangered (State or Federal) species will require surveys according to the responsible agencies protocol. Restrictions will be placed on surface disturbing activities in suitable habitat until these inventories are complete. The absence of any threatened/endangered species must be confirmed prior to approval of any surface disturbing action which may affect the habitat. If presence of a threatened/endangered species is found, restrictions on new development will be imposed and actions may be authorized on a case-by-case basis.
5. To avoid disturbance in elk and deer crucial winter range, no construction or drilling activities shall be permitted between December 1 to March 31. All drilling, completion and pipeline activities should be concluded prior to December 1. Exceptions to this stipulation will be considered on a case-by-case basis.
6. Antelope Habitat - In order to protect important seasonal antelope habitat, exploration, drilling and other development activity will be allowed only during the period from July 1 through November 30. This limitation does not apply to maintenance and operation of producing wells. Exception to this limitation may be specifically authorized in writing by the Authorized Officer of the Federal surface management agency.
7. Elk Calving Habitat - In order to protect important seasonal wildlife habitat (elk calving range), exploration, drilling and other development activity will be allowed only during the period from July 15 through November 30. This limitation does not apply to maintenance and operation of producing wells. Exception to this limitation may be specifically authorized in writing by the Authorized Officer of the Federal surface management agency.
8. "Off-site mitigation" measures will be mutually developed by the land management agency and energy company involved. This shall include on-the-ground improvements for wildlife habitat and initiation of monitoring studies. Details are outlined in the existing Cooperative Agreement for the Mitigation and Enhancement of Wildlife Habitat in the Farmington Resource Area. Other mitigating measures may be developed as needed on a case-by-case basis.

9. No development activity or surface occupancy shall be permitted in wetland areas (as defined in the Federal Manual for Identifying and Delineating Jurisdictional Wetlands). Exceptions may be requested on a case-by-case basis. Any wetland acreage destroyed shall be mitigated by the acreage ratio as prescribed by the U.S. Fish and Wildlife service. Seasonal closure(s) for waterfowl nesting and bald eagle wintering may apply.
10. Vehicle use shall be restricted to authorized roads and pads. Exception may be requested on a case-by-case basis.
11. Comprehensive road management plans for units will be developed jointly with land management agencies, unit operators and the public. Actions to be considered in these plans will include road closures for non-authorized activities, agency enforcement responsibilities, public participation, and maintenance for roads.
12. Those portions of units under the USFS administration shall maintain an open road density of approximately 1.0 mile/square mile. This shall be achieved by gating of existing roads and limiting new road construction as determined by a road management plan.
13. New development, when feasible, will be twinned to existing well locations. Options to be considered include directional drilling, recompletions, multiple completions, centralizing of locations and unorthodox locations.
14. Permanent or temporary pipelines for water disposal will be installed as early as possible to eliminate excessive truck traffic in sensitive wildlife areas. Exceptions may be considered on a case-by-case basis.
15. All new pipelines and powerlines shall be restricted to existing roads and corridors. Exceptions may be requested on a case-by-case basis.
16. Existing requirements on rehabilitation and reclamation shall continue to apply in areas that contain visual scars and/or severe erosion. Operators will submit a plan of reclamation to the surface management agency.
17. The unit operator will submit a plan of development which represents a 3-5 year development scenario. The purpose of this plan is to make more informed resource decisions recognizing the land management agencies requirements to mitigate sensitive resources and development concerns of the operator.
18. No surface occupancy shall be allowed within developed recreation areas without proper NEPA compliance.
19. Prior to approval of a well location within 500 horizontal feet of the high water line of Navajo Reservoir (elevation 6085 feet), it must be examined by BOR and the potential impacts to water quality determined.
20. Minerals under areas of critical concern along the San Juan River, and under or close to Navajo Lake, shall be developed using no surface occupancy and directional drilling (see map). Exceptions may be granted on a case-by-case basis in consultation with necessary agencies. Any exception to surface occupancy shall have strict mitigating measures attached. Seasonal closure(s) for waterfowl and bald eagle wintering may also apply (see map).
21. Restrict drilling within 1,000 horizontal feet of Navajo Dam and appurtenant structures. This includes the foundation of the dam which extends 1,320 feet upstream and 1,260 feet downstream from the dam axis (see map) (T. 30 N., R. 7 W., Sec. 18: S2, Sec. 19: N2, N2SW4, N2N2SE4).

22. Areas of extremely high density archeological sites may limit any ground disturbance activity. Development will be considered on a case-by-case basis.
23. Development will be restricted in areas that have special topographical (steep or broken and/or on benches) and soil concerns. Development will be considered on a case-by-case basis and will contain strict mitigation stipulations.
24. Those areas within the unit that are also contained within the Carracas Mesa SMA shall have the following requirements:
  - a. Restrict vehicles to designated routes and seasonal closures.
  - b. Major right-of-ways shall be located outside of the SMA boundary. This does not include individual well ties.
  - c. VRM Class II objectives shall apply to all development. The management objectives of this class are to retain the existing character of the landscape. The level of change to the characteristic landscape should be low. Management activities may be seen, but should not attract the attention of the casual observer. Any changes must repeat the basic elements of form, line, color and texture found in the predominant natural features of the characteristic landscape.
  - d. Visual, wildlife and recreation clearances will be required for all new development activity.
  - e. No surface disturbance on slopes greater than 20 percent.
25. Those areas within the unit that are within the Reese Canyon Research Natural Area shall have the following requirements:
  - a. Restrict vehicles to designated routes and seasonal closures.
  - b. Major right-of-ways shall be located outside the RNA boundary. This does not include individual well ties.
  - c. New wells in the RNA should be drilled off existing well pads except where other constraints (e.g. T/E) exist.
  - d. No surface disturbance on benches or slopes greater than 20 percent.
  - e. No surface occupancy will be allowed in occupied and potential habitat for Federal or State listed threatened and endangered species. These areas should be excluded from any surface disturbing activities unless those activities are completely confined to areas of existing disturbance and the proposed activity is fully evaluated or its potential impacts to recovery of the endangered plant species.
26. Those areas within the unit that are also within the Negro Canyon SMA shall have the following requirements:
  - a. Restrict vehicles to designated routes and seasonal closures.
  - b. Major right-of-ways shall be located outside of the SMA boundary. This does not include individual well ties.

- c. VRM Class II objectives shall apply to all development. The management objectives of this class are to retain the existing character of the landscape. The level of change to the characteristic landscape should be low. Management activities may be seen but should not attract the attention of the casual observer. Any changes must repeat the basic elements of form, line, color and texture found in the predominant natural features of the characteristic landscape.
- d. Visual, wildlife and recreation clearance will be required for all new development activity.
- e. No surface disturbance on slopes greater than 20 percent.
27. Those areas within the Simon Canyon Area of Critical Environmental Concern shall have the following requirements:
- a. Restrict vehicles to designated routes.
- b. Major right-of-ways shall be located outside the ACEC boundary. This does not include individual well ties.
- c. VRM Class II objectives shall apply to all development. The management objectives of this class are to retain the existing character of the landscape. The level of change to the characteristic landscape should be low. Management activities may be seen, but should not attract the attention of the casual observer. Any changes must repeat the basic elements of form, line, color and texture found in the predominant natural features of the characteristic landscape.
- d. Visual, wildlife and recreation clearances will be required for all new development activity.
- e. No development shall be allowed in the canyon bottom.
- f. No development shall be allowed on the canyon rim that is visible from the canyon bottom.
28. Undrilled areas which may be difficult to drill because they are under water.
- |                            |                     |
|----------------------------|---------------------|
| T. 30 N., R. 7 W.:         | T. 30 N., R. 8 W.:  |
| Sec. 4: SW4                | Sec. 13: NW4, SE4   |
| Sec. 5: SE4                |                     |
| Sec. 7: NW4, S2            | T. 31 N., R. 7 W.:  |
| Sec. 8: N2                 | Sec. 25: SW4        |
| Sec. 17: NW4               | Sec. 34: SW4, N2SE4 |
| Sec. 18: N2NW4, NE4 S2     | Sec. 35: SE4        |
| Sec. 19: All except SW4SW4 | Sec. 36: N2         |
| Sec. 20: NW4               |                     |
29. Emergency repairs needed for human safety and environmental contamination will not require prior written authorization. Emergency repairs include a break in a gas or waterline, casing or tank bottom failures, well head repairs.



ms.  
12069

September 20, 1998

**Ms. Lori Wrotenbery, Director  
Oil Conservation Division  
2040 South Pacheco  
Santa Fe, New Mexico 87505**

Re: Application of Burlington Resources for proposed rule change to reduce well spacing.

Dear Ms. Wrotenbery:

Knight Oil Tools, Inc. wishes to express our 100% support of the rule change as drafted in the application of Burlington Resources.

At this present time Knight Oil Tools employees five people in this area. We at KOT are in the rental tool business that supplies special equipment that is not furnished by the rig contractor or said company.

Knight Oil Tools is a recognized domestic supplier of rental equipment with some International exposure. We have been in the San Juan Basin doing business for over one year due in large part to Burlington Resources wanting more than one sole vendor in the rental tool business.

The economic impact of this rule change would definitely enhance the revenues of KOT, which in return makes it very feasible to bring in more equipment and also staff more people, thus generating a broader tax base.

Let the record show that Knight Oil Tools is full support of the proposed rule change to reduce well spacing for San Juan and Rio Arriba Counties.

Sincerely,

Ben Reese  
Area Manager

Cc: Mr. John Zent, Land Manager